

MI MING MART HOLDINGS LIMITED

彌明生活百貨控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8473



SHARE OFFER

Sole Bookrunner and Sole Lead Manager

 **KINGSTON SECURITIES**

Sole Sponsor

 **KINGSTON CORPORATE FINANCE**

IMPORTANT

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

MI MING MART HOLDINGS LIMITED 彌明生活百貨控股有限公司

(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	: 280,000,000 Shares
Number of Placing Shares	: 252,000,000 Shares (subject to reallocation)
Number of Public Offer Shares	: 28,000,000 Shares (subject to reallocation)
Offer Price	: Not more than HK\$0.27 per Offer Share and expected to be no less than HK\$0.22 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full upon application and subject to refund)
Nominal value	: HK\$0.01 each
Stock code	: 8473

Sole Bookrunner and Sole Lead Manager



Sole Sponsor



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 paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be determined by the Price Determination Agreement between the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company on or about 2 February 2018 or such later date as may be agreed between the parties. If, for any reason, the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by that date or such later date as agreed by our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse. The Offer Price will not be more than HK\$0.27 per Offer Share and is expected to be not less than HK\$0.22 per Offer Share, unless otherwise announced. The Sole Lead Manager (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the above indicative Offer Price range at any time prior to the Price Determination Date. In such a case, notice of the reduction in the indicative Offer Price range will be available on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.mimingmart.com.

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 Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to be given by any of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the paragraph headed "Underwriting – Underwriting arrangements and expenses – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. It is important that you refer to that section for further details.

30 January 2018

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 high 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 by 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 GEM-listed issuers.

EXPECTED TIMETABLE

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

Event	Date (Note 1)
Public Offer commences and WHITE and YELLOW Application Forms available from	9:00 a.m. on 30 January 2018
Latest time for completing electronic applications under the HK eIPO White Form services through the designated website at www.hkeipo.hk (Note 2)	11:30 a.m. on 2 February 2018
Application lists for Public Offer open (Note 3)	11:45 a.m. on 2 February 2018
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC (Note 4)	12:00 noon on 2 February 2018
Latest time to complete payments for HK eIPO White Form applications by effecting internet banking transfers.	12:00 noon on 2 February 2018
Application lists for Public Offer close (Note 3)	12:00 noon on 2 February 2018
Expected Price Determination Date (Note 5)	2 February 2018
Announcement of the level of indication of interest in the Placing, the level of applications of the Public Offer, the basis of allotment and the results of applications in the Public Offer to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.mimingmart.com on or before	9 February 2018
Results of allocations in the Public Offer (with successful Applicants' identification document numbers, where applicable) to be available through a variety of channels as described in the paragraph headed "How to apply for Public Offer Shares – 11. Publication of results" in this prospectus.	9 February 2018
Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID Number/Business Registration Number" function on	9 February 2018
Despatch/collection of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before (Note 6)	9 February 2018
Despatch/collection of refund cheques or HK eIPO White Form e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before (Note 6)	9 February 2018
Dealings in Shares on GEM to commence at 9:00 a.m. on	12 February 2018

EXPECTED TIMETABLE

Notes:

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
2. You will not be permitted to submit your application 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 a payment reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a 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. to 12:00 noon on 2 February 2018, the application lists will not open or close on that day. Further information is set out in the paragraph headed “How to apply for Public Offer Shares – 10. Effect of bad weather on the opening and the closing of the application lists” in this prospectus.
4. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS 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, being the date on which the Offer Price is to be determined, is expected to be on or about 2 February 2018. If the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by that date or such later date as agreed by our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$0.27 per Offer Share, applicants must pay the maximum Offer Price of HK\$0.27 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed “How to apply for Public Offer Shares” in this prospectus.
6. Refund cheques or e-Auto Refund payment instruction will be used in respect of wholly or partially unsuccessful applications pursuant to the Public Offer. Applicants who have applied through the HK eIPO White Form service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied 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 in the form of refund cheques by ordinary post at their own risk. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

Applicants who have applied on **WHITE** Application Forms or HK eIPO White Form for 1,000,000 or more Public Offer Shares and have provided all information required by their Application Forms may collect any refund cheques and/or Share certificates in person from our Company’s Hong Kong 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 9 February 2018. Applicant being individuals who is eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

EXPECTED TIMETABLE

Applicants who have applied on Public Offer Shares by giving electronic application instructions to HKSCC via CCASS 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 for details.

Applicants who have applied through the HK eIPO White Form service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied 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 in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected share certificates and/or refund cheques will be despatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.

Further information is set out in the paragraphs headed “How to apply for Public Offer Shares – 13. Refund of application monies” and “How to apply for Public Offer Shares – 14. Despatch/Collection of Share certificates and refund monies” in this prospectus.

In the event of any change to the above expected timetable after the date of this prospectus, an announcement will be made on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.mimingmart.com accordingly. All Share certificates will only become valid certificates of title of the Shares which they relate provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms at or before 8:00 a.m. (Hong Kong time) on the Listing Date.

Details of the structure of the Share Offer, including its conditions and grounds for termination thereto, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances.

You should rely on the information contained in this prospectus to make your investment decision.

Our Company, the Sole Sponsor, the Sole Bookrunner 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 in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Underwriters, any of their respective directors, officers, employees, agents, affiliates or representatives of any of them or any other person or parties involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As the following is only a summary, it does not contain all the information that may be important to you. You should read the whole prospectus in its entirety before you decide to invest in the Offer Shares.

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

OVERVIEW

We are a multi-brand retailer, which operate nine Retail Stores under the brand of “mi ming mart” (“袁彌明生活百貨” or “彌明生活百貨”) in Hong Kong. We offer a wide range of beauty and health products, which can mainly be categorised into (i) skincare products; (ii) cosmetic products; and (iii) food and health supplements. Our Group has been under the leadership of our founder, chairlady, executive Director and chief executive officer, Ms. Erica Yuen, a prominent social media icon, with more than 7.5 million view counts on one of the most popular social media platforms, since our commencement of business in 2009. According to the F&S Report, we ranked second among the small and medium segment of the skincare and cosmetics multi-brand specialty retailers market, comprising multi-brand specialty retailers with a total revenue of less than HK\$100 million per annum and a total store number of less than 10 in Hong Kong, in terms of revenue generated from the sale of skincare products and cosmetic products for the calendar year of 2016. This small and medium segment accounted for approximately 31.5% market share of the total skincare and cosmetics multi-brand specialty retailers market in 2016.

Our philosophy. Our philosophy is “Setting off for harmless living” (“從無害生活出發”). To uphold our philosophy, we strive to select and offer quality products which do not contain any ingredients that, in our view, would affect or impair the health of our customers. We target to serve and offer our products to customers who are ingredient conscious and aspire to the betterment of their health.

Our business model. As at the Latest Practicable Date, we offered more than 300 kinds of products in over 35 brands, which are selected by us, to our customers through our Retail Stores and other sales channels. We have devised a standard protocol in sourcing, selecting and approving the products, including conducting market research on the products and evaluating their ingredients to ensure that they do not contain any harmful or questionable substances. After we have sourced and approved a new product, we prefer, in so far as the supplier agrees, to enter into a framework supply agreement with the relevant supplier. At the same time, our marketing team formulates the feasible promotional plan for the new product before we launch it in the market and update our product catalogue and electronic newsletters. If applicable, we produce videos for online media and social networking platforms, explaining the products, ingredients and functions, to our potential customers. For further details of our business model, please refer to the paragraph headed “Business – Business model” in this prospectus.

Our revenue channels. We mainly sell our products at our Retail Stores, with a portion through our Online Shop at www.mimingmart.com, consignment sales and a distributor in Taiwan. We also act as the consignee for some suppliers on a consignment basis whereby we are entitled to the consignment commission based on the amount of sales of the consignor’s products and the predetermined percentage as agreed by the consignor and us. As at the Latest Practicable Date, there were over 15 consignment products offered in our sales channels. The table below sets forth a breakdown of our revenue generated from the sale of our products and consignment commission:

SUMMARY

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Sales of our products ^(Note 1)	47,635	98.0	80,382	97.9	101,171	97.8	46,430	97.3	55,319	99.4
Consignment commission ^(Note 2)	963	2.0	1,724	2.1	2,253	2.2	1,290	2.7	331	0.6
Total	48,598	100.0	82,106	100.0	103,424	100.0	47,720	100.0	55,650	100.0

Notes:

1. This refers to the revenue generated from the sale of our products by different sales channels, including Retail Stores, Online Shop, consignment sales and distributor.
2. This refers to the commission received by us when we act as consignee for some suppliers when their products are put for sale at our Retail Stores or Online Shop on consignment basis.

Our products. As at the Latest Practicable Date, we offered more than 300 kinds of products in over 35 brands. The following table sets forth the breakdown of our revenue generated from the sale of our products by product category for the years and periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Skincare	34,246	71.9	58,139	72.3	72,186	71.3	31,708	68.3	40,865	73.9
Cosmetics	6,141	12.9	8,264	10.3	12,346	12.2	6,103	13.1	5,572	10.1
Food and health supplements	5,292	11.1	9,802	12.2	9,066	9.0	5,326	11.5	5,102	9.2
Others ^(Note)	1,956	4.1	4,177	5.2	7,573	7.5	3,293	7.1	3,780	6.8
Total	47,635	100.0	80,382	100.0	101,171	100.0	46,430	100.0	55,319	100.0

Note: Other products mainly include (i) personal care products like deodorant and hair products; (ii) other general merchandise; (iii) any product or set of products that cannot be singly classified into skincare product, cosmetic product or food and health supplements; and (iv) the sales generated from any single sale of product(s) referred to in (i), (ii) and (iii) above after deducting the face value of the discount coupon (where no designated product is specified) used for such purchase.

SUMMARY

Our brand portfolio. During the Track Record Period, we were the exclusive distributor of six product brands, namely, “Synergie Skin” and “Synergie Minerals” in Hong Kong, the PRC, Macau and Taiwan; “pHion” in Hong Kong and Macau; “Mayella”, “Secret Garden” (the production and sale of which was ceased in December 2016) and “Snow Fox” in Hong Kong. In December 2017, we became the exclusive distributor of the brand “Plabeau” in Hong Kong. Each brand has its own features to cater for the need and preference of different consumers. The following table sets forth a breakdown of our revenue generated from the sale of our products by the exclusive brands and non-exclusive brands for the years and periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Exclusive brands										
Synergie Skin	20,863	43.8	42,574	53.0	51,450	50.9	24,323	52.4	30,072	54.4
Synergie Minerals	4,295	9.0	6,944	8.6	10,524	10.4	5,242	11.3	3,782	6.8
pHion	2,153	4.5	3,216	4.0	5,101	5.0	2,687	5.8	2,574	4.7
Mayella ^(Note 1)	–	–	2,565	3.2	2,659	2.6	988	2.1	1,229	2.2
Secret Garden ^(Note 1)	1,401	3.0	1,966	2.4	1,010	1.0	634	1.4	–	–
Snow Fox ^(Note 2)	–	–	–	–	–	–	–	–	30	0.1
Sub-total	28,712	60.3	57,265	71.2	70,744	69.9	33,874	73.0	37,687	68.2
Non-exclusive brands	18,923	39.7	23,117	28.8	30,427	30.1	12,556	27.0	17,632	31.8
Total	47,635	100.0	80,382	100.0	101,171	100.0	46,430	100.0	55,319	100.0

Notes:

1. In December 2016, the brand owner of “Secret Garden” shifted its focus to promoting the “Mayella” brand and since then, ceased production and sale of skincare products under this brand.
2. We began selling “Snow Fox” branded skincare products on a non-exclusive basis since May 2017. During this period, the revenue generated from the sale of “Snow Fox” branded products amounted to approximately HK\$1.4 million. We obtained the exclusive distributorship of “Snow Fox” branded products in Hong Kong on 26 September 2017. From 26 to 30 September 2017, the revenue generated from the sale of “Snow Fox” branded products amounted to approximately HK\$30,000.

For further details of our products, please refer to the paragraph headed “Business – Products” in this prospectus.

Pricing strategy. We adopt a cost-plus model in determining the price of our products. We consider the procurement costs, the sales and marketing cost, the expected profit margins, the prevailing foreign currency rates, the expected level of sales, the perceived market trend and demand and market analysis of the retail price of similar products to ensure that the price of our products is competitive. The price of the products provided by the consignor is determined by the consignor. Although we may conduct marketing research and engage external laboratories to test the products, we do not include the relevant costs in pricing the products.

SUMMARY

SALES CHANNELS

During the Track Record Period and as at the Latest Practicable Date, we mainly sold our products via the following channels:

Our Retail Stores. As at the Latest Practicable Date, we operated nine Retail Stores in leased properties in prime shopping areas including Causeway Bay, Mongkok, Tsim Sha Tsui, with approximate gross floor area ranging from 18.58 sq.m. to 65.03 sq.m., and local shopping areas, including Shatin, Tsuen Wan, Yuen Long, Quarry Bay, Tuen Mun and Tseung Kwan O, with approximate gross floor area ranging from 23.22 sq.m. to 60.38 sq.m., in Hong Kong under our brand “mi ming mart” (“袁彌明生活百貨” or “彌明生活百貨”). The monthly rental of our nine Retail Stores is as follow:

Retail Stores	Monthly rent/licence fee
Causeway Bay	HK\$180,000 for the period from 2 July 2015 to 1 July 2017 (both days inclusive) and HK\$210,000 for the period from 2 July 2017 to 1 July 2018 (both days inclusive)
Tsim Sha Tsui	HK\$138,000
Mongkok	Basic licence fee of HK\$75,000 and additional licence fee being 9% of the monthly gross receipts of that month after deduction of the basic licence fee
Shatin	HK\$132,000 plus additional turnover rent being the sum equivalent to the difference between 10% of the turnover of the tenant's business during the relevant calendar month less the monthly basic rent for that calendar month
Tsuen Wan	HK\$73,500 or a turnover rent being the sum of 7% of the monthly gross turnover of the tenant's business carried on, in, at or from the property, whichever is higher
Yuen Long	HK\$81,300 or a turnover rent being the sum of 10% of the monthly gross receipts of the tenant's business carried on, in, at or from the property, whichever is higher
Quarry Bay	HK\$63,000 or a turnover rent being the sum of 9% of the monthly gross receipts in the course of the tenant's business conducted at, in or from the property for the period from 19 May 2017 to 18 May 2018, whichever is higher; and HK\$64,890 or a turnover rent being the sum of 9% of the monthly gross receipts in the course of the tenant's business conducted at, in or from the property for the period from 19 May 2018 to 18 May 2019, whichever is higher
Tuen Mun	HK\$86,130 plus additional turnover rent being an amount by which 10% of the monthly gross receipt of the tenant's business at the premises during and for the rental payable month (without any deduction) exceeds the basic rental
Tseung Kwan O	HK\$60,000 plus additional turnover rent being an amount by which 10% of the gross receipt(s) of the tenant's business at the premises during and for the rental payable month (without any deduction) exceeds the basic rental

SUMMARY

For further details, please refer to the paragraph headed “Business – Properties” in this prospectus.

Our Retail Store in Tuen Mun opened in mid July 2017 and to generate a buzz on our brand prior to the opening of our new Retail Store, we opened a pop-up store from 1 to 10 July 2017 in the same shopping mall of our Tuen Mun Retail Store.

Our Retail Store in Tseung Kwan O opened in September 2017 and to further promote our brand, we opened a pop-up store from 1 August to 6 September 2017 in the same shopping mall of our Tseung Kwan O Retail Store, prior to the opening of our new Retail Store.

The table below shows the average Retail Stores sales per sq.m. during the Track Record Period:

	For the year ended 31 March		For the six months ended 30 September	
	2015	2016	2017	2017
Total approximate gross floor area of our Retail Stores in sq.m. <i>(Note)</i>	251.9	250.1	213.4	297.9
Approximately Retail Stores sales per sq.m. <i>(HK\$'000)</i>	178.1	307.3	453.9	181.1

Note: Total approximate gross floor area of our Retail Stores in sq.m. is the sum of the approximate gross floor area of our respective Retail Stores multiplied by the number of months in operation of our respective Retail Stores during that year/period and divided by the number of months for the respective year/period.

We try to present a consistent layout, in particular, through the product display, price labels, shelves, decoration, colour of the shopfront, information displays and staff uniforms. Our Directors consider a Retail Store has achieved the breakeven point when the monthly revenue is at least equal to its monthly expenses. During the Track Record Period, our new Retail Stores, as well as our store in Central which was closed in March 2016, generally required approximately one month to reach the breakeven point. Our Directors also consider that the investment payback period for a Retail Store is in general the average time it takes for the accumulated net profit of a Retail Store from the commencement of operation to cover costs incurred for opening and operating that particular Retail Store during the period. As at the Latest Practicable Date, all of our existing Retail Stores had achieved the investment payback point which was, on average, approximately one to three months from their respective commencement of business. Our Retail Store in Central, which was closed in March 2016, had achieved the breakeven point and investment payback point in the first month and the fourth month after its commencement of business, respectively.

Our Online Shop. We operate our Online Shop at www.mimingmart.com. Our Online Shop contains our product catalogue, which includes information, photos, ingredients, usage, features, benefits and videos of our products. Our customers settle payment online through an online payment system.

Consignment sales. As at the Latest Practicable Date, we had one consignee in Macau. Under the consignment sales arrangement, the related risk and ownership of the products remain with us until the products are sold by the consignee to its customers.

SUMMARY

Distributor. A non-exclusive distributorship right was granted to a distributor in Taiwan in October 2015 for the sale of “Synergie Skin” and “Synergie Minerals” branded products in Taiwan. During the Track Record Period, all distribution sales were invoiced and settled in Hong Kong dollar before the delivery of the products to the distributor. The related risk and ownership will remain with us until the products are despatched to the distributor from Hong Kong.

The table below sets forth a breakdown of our revenue generated from the sale of our products from different sales channels for the years and periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							(unaudited)			
Retail Stores	44,859	94.1	76,850	95.6	96,870	95.7	44,342	95.5	53,939	97.5
Online Shop	1,840	3.9	2,830	3.5	3,399	3.4	1,748	3.8	1,101	2.0
Consignment sales ^(Note)	936	2.0	550	0.7	320	0.3	199	0.4	93	0.2
Distributor	–	–	152	0.2	582	0.6	141	0.3	186	0.3
Total	<u>47,635</u>	<u>100.0</u>	<u>80,382</u>	<u>100.0</u>	<u>101,171</u>	<u>100.0</u>	<u>46,430</u>	<u>100.0</u>	<u>55,319</u>	<u>100.0</u>

Note: Our products are also offered for sale by other retailers or other Independent Third Party consignees on a consignment basis.

CUSTOMERS

Our customers were mainly retail customers consisting of individuals from the general public, a few bulk purchase customers as well as the distributor in Taiwan. To promote customer loyalty and encourage repeat purchases, we launched a customer membership programme whereby information and/or catalogues on products or events are provided to our members through electronic means such as email, direct marketing or short message services (“SMS”). As at the Latest Practicable Date, we had more than 80,000 registered members. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, approximately 93.7%, 97.2%, 96.3% and 96.6% of our total revenue was generated from customers who had been registered under our membership programme respectively. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, revenue from our five largest customers who had been registered under our membership programme (inclusive of the bulk purchase customers and the distributor in Taiwan) was approximately HK\$1.2 million, HK\$1.7 million, HK\$2.4 million and HK\$1.3 million, respectively, representing approximately 2.6%, 2.1%, 2.4% and 2.4% of our total revenue, respectively. All of our five largest customers during the Track Record Period were Independent Third Parties.

SUPPLIERS

Our top five suppliers. We have maintained long term business relationships with our suppliers. The business relationships between our Group and our five largest suppliers during the Track Record Period range from around five months to nine years. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, the aggregate purchases from our Group’s five largest suppliers accounted for approximately 65.3%, 72.7%, 67.7% and 65.3% of our total purchases, respectively. For further details of our suppliers, please refer to the paragraph headed “Business – Suppliers” in this prospectus.

SUMMARY

Payment to suppliers. During the Track Record Period, most of the purchases made from our suppliers were denominated and settled in Australian dollar, Hong Kong dollar or US dollar. On the other hand, our customers settled the selling price of our products in Hong Kong dollar. Fluctuations in foreign exchange rates may materially and adversely affect the financial condition and results of operations of our Group. Our Directors consider that our policy to maintain sufficient Australian dollar for payment of purchases for about three months and keeping of about two months' inventory, with reference to our historical sales, will provide us with a sufficient buffer to minimise our exposure to the fluctuation in Australian dollar. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, approximately 39.2%, 46.0%, 41.9% and 42.8% of our total purchases were settled in Australian dollar, respectively, and approximately 8.4%, 14.5%, 11.6% and 11.2% of our total purchases were settled in US dollar, respectively.

Exclusive distribution agreements. During the Track Record Period, we entered into exclusive distribution agreements with suppliers including Synergie, Apex Wellness Group, LLC, Pro Bio Skin Pty Ltd and Spa Monkeys Limited, pursuant to which we were granted the exclusive right to sell and distribute their products under certain brands including "Synergie Skin", "Synergie Minerals", "pHion", "Mayella", "Secret Garden" (the production and sale of which was ceased by its brand owner in December 2016) and "Snow Fox", in the territories specified in the exclusive distribution agreements. In December 2017, we became the exclusive distributor of the brand "Plabeau" in Hong Kong.

Non-exclusive suppliers. Apart from these suppliers, we also source a wide spectrum of products from a list of approved suppliers, including brand owners, authorised distributors of the products in Australia, the US and Hong Kong.

OUR RELATIONSHIP WITH SYNERGIE

During the Track Record Period, our purchases from Synergie, who is the brand owner of both "Synergie Skin" and "Synergie Minerals", amounted to approximately HK\$8.4 million, HK\$15.8 million, HK\$17.4 million and HK\$9.9 million, representing approximately 39.2%, 46.0%, 41.9% and 42.8% of our total purchases, respectively. On the other hand, during the Track Record Period, our revenue attributable to the sale of "Synergie Skin" and "Synergie Minerals" branded products amounted to approximately HK\$25.2 million, HK\$49.5 million, HK\$62.0 million and HK\$33.9 million, which accounted for approximately 52.8%, 61.6%, 61.3% and 61.2% of our revenue generated from the sale of our products, respectively. Our Directors consider that it is commercially beneficial for both Synergie and our Group to maintain a close and long-term business relationship with each other. Further, we believe that our reliance on Synergie would not affect our business prospects. For further details, please refer to the paragraph headed "Business – Our relationship with Synergie" in this prospectus.

COMPETITIVE STRENGTHS

Our Directors take the view that the following competitive strengths have contributed to our success:

- (i) Our established brand "mi ming mart" ("袁彌明生活百貨" or "彌明生活百貨") is well-known for offering quality beauty and health products;

SUMMARY

- (ii) Our multi-faceted marketing and promotion initiatives;
- (iii) As at the Latest Practicable Date, we were able to obtain exclusive distribution rights from Hong Kong and overseas brand proprietors for beauty and health products under certain brands, and we were the exclusive distributor of the brands including “Synergie Skin”, “Synergie Minerals”, “pHion”, “Mayella”, “Snow Fox” and “Plabeau”;
- (iv) We have an established sales network;
- (v) We offer a wide range of quality products; and
- (vi) We have an experienced management team and dedicated workforce.

For further details of our competitive strengths, please refer to the paragraph headed “Business – Competitive strengths” in this prospectus.

SHAREHOLDING INFORMATION

Immediately following completion of the Share Offer and the Capitalisation Issue and without taking into account any Shares that may be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme, Prime Era, an investment holding company wholly-owned by Ms. Erica Yuen, owns 75% of the issued share capital of our Company.

Our Controlling Shareholders have confirmed that none of them and their respective close associates has any interest in any business which competes or is likely to compete, directly or indirectly, with our Group’s business. For further details of the shareholding of our Controlling Shareholders, please refer to the section headed “Substantial Shareholders” in this prospectus.

COMPETITIVE LANDSCAPE AND MARKET SHARE

According to the F&S Report, as of 2016, there were over 50 small and medium skincare and cosmetics multi-brand specialty retailers in Hong Kong. In terms of retail value, the total small and medium multi-brand specialty retailers together accounted for approximately 31.5% of the market share of the total skincare and cosmetics multi-brand specialty retailers market in Hong Kong in 2016. The top five small and medium multi-brand specialty retailers accounted for approximately 3.0% of the market share in 2016. According to the F&S Report, our Group contributed to approximately 0.7% of the market share of Hong Kong’s skincare and cosmetics multi-brand specialty retailers market in 2016.

SUMMARY OF FINANCIAL INFORMATION

The following table sets forth selected financial information, for the years and periods indicated, of our consolidated results of operations extracted from the Accountants’ Report on Historical Financial Information set out in Appendix I to this prospectus. The summary should be read in conjunction with the financial information in the Accountants’ Report on Historical Financial Information in Appendix I to this prospectus, including the notes therein.

SUMMARY

Selected information extracted from combined statements of profit or loss and other comprehensive income

	For the year ended 31 March			For the six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	48,598	82,106	103,424	47,720	55,650
Cost of sales	(21,862)	(32,463)	(40,222)	(18,521)	(21,994)
Gross profit	26,736	49,643	63,202	29,199	33,656
Other income	1	660	105	32	147
Selling and distribution expenses	(9,279)	(18,492)	(23,651)	(11,131)	(15,081)
Administrative and operating expenses	(8,844)	(10,760)	(17,705)	(7,358)	(9,740)
Interest expense on bank borrowing	–	–	(24)	–	(92)
Other expense	–	–	–	–	(550)
Listing expenses	–	–	(8,672)	(4,058)	(1,246)
Profit before taxation	8,614	21,051	13,255	6,684	7,094
Income tax expense	(1,330)	(3,460)	(3,655)	(1,788)	(1,485)
Profit and total comprehensive income for the year/period	7,284	17,591	9,600	4,896	5,609

The significant increase of revenue from the year ended 31 March 2015 to the year ended 31 March 2016 was primarily driven by our increased marketing and promotional activities together with large-scale brand-building marketing campaign; the launch of new products including bundled and set skincare products with higher retail prices; the increase in the revenue generated from our skincare products, particularly a facial mask, namely “MasquErase”, of the “Synergie Skin” branded products, of different packing sizes and the relocation of our Retail Stores in each of Tsim Sha Tsui and Causeway Bay from upper-floor location to street-front location, which then attracted more consumer traffic flow and enhanced the market recognition of our brand. During the year ended 31 March 2016, the launch of new products by our Group generated approximately HK\$23.9 million in revenue, representing approximately 29.7% of the revenue generated from the sale of our products. The relocation of our Retail Store in Tsim Sha Tsui took place on 26 November 2015, leaving about four months before the year ended on 31 March 2016 and the revenue generated from the Retail Store in Tsim Sha Tsui increased to approximately HK\$20.8 million (of which approximately HK\$6.8 million was attributable to the sale of new products) for the year ended 31 March 2016 from approximately HK\$12.1 million for the preceding year. On the other hand, the relocation of our Retail Store in Causeway Bay took place on 3 August 2015, leaving about eight months before the year ended on 31 March 2016 and the revenue generated from the Retail Store in Causeway Bay increased to approximately HK\$26.8 million (of which approximately HK\$7.7 million was attributable to the sale of new products) for the year ended 31 March 2016 from approximately HK\$14.5 million for the preceding year.

SUMMARY

The increase of our revenue for the year ended 31 March 2017 as compared to the previous year was primarily due to (i) the commencement of business of our Retail Store in Tsuen Wan since April 2016 soon after the closure of our Retail Store in Central in March 2016 as our Retail Store in Tsuen Wan, being located in a major local shopping mall, had a relatively higher consumer traffic flow by carrying on business for seven days a week whereas our Retail Store in Central was closed on Saturday evening and Sunday; (ii) the commencement of business of our Retail Store in Mongkok, a prime shopping area, since October 2016; and (iii) the overall increase in sales volumes of our products across all product categories and the increase in the average selling price of our skincare products during the year ended 31 March 2017. During the year ended 31 March 2017, the launch of new products, including bundled and set skincare products with higher retail prices, by our Group generated approximately HK\$29.8 million in revenue, representing approximately 29.5% of the revenue generated from the sale of our products. After the closure of our Retail Store in Central in March 2016, we opened our Retail Stores in Tsuen Wan in April 2016 and Mongkok in October 2016, leaving approximately 12 months and six months before the year ended on 31 March 2017. The revenue generated from these two Retail Stores amounted to approximately HK\$12.6 million (of which approximately HK\$3.7 million was attributable to the sale of new products) and approximately HK\$8.0 million (of which approximately HK\$2.7 million was attributable to the sale of new products), respectively, for the year ended 31 March 2017, which was significantly higher than the revenue generated from the Retail Store in Central, which was in the sum of approximately HK\$6.7 million, in the preceding year.

For the three years ended 31 March 2017 and for the six months ended 30 September 2017, the revenue generated from the sale of our products accounted for approximately 98.0%, 97.9%, 97.8% and 99.4% of our total revenue, respectively, whilst consignment commission accounted for approximately 2.0%, 2.1%, 2.2% and 0.6%, respectively, of our total revenue. The ratio of revenue generated from the sale of our products to total revenue remained relatively stable during the Track Record Period.

Gross profit and gross profit margin

Gross profit by product category	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	Margin %	HK\$'000	Margin %	HK\$'000	Margin %	HK\$'000	Margin %	HK\$'000	Margin %
	(unaudited)									
Sale of our products										
Skincare	19,974	58.3	37,326	64.2	46,333	64.2	20,484	64.6	26,179	64.1
Cosmetics	2,907	47.3	4,647	56.2	7,075	57.3	3,410	55.9	3,130	56.2
Food and health supplements	2,562	48.4	4,605	47.0	4,726	52.1	2,770	52.0	2,611	51.2
Others ^(Note)	330	16.9	1,341	32.1	2,815	37.2	1,245	37.8	1,405	37.2
Sub-total	25,773	54.1	47,919	59.6	60,949	60.2	27,909	60.1	33,325	60.2
Consignment commission	963	100.0	1,724	100.0	2,253	100.0	1,290	100.0	331	100.0
Gross profit	26,736	55.0	49,643	60.5	63,202	61.1	29,199	61.2	33,656	60.5

Note: Other products mainly include (i) personal care products like deodorant and hair products; (ii) other general merchandise; (iii) any product or set of products that cannot be singly classified into skincare product, cosmetic product or food and health product; and (iv) the sales generated from any single sale of product(s) referred to in (i), (ii) and (iii) above after deducting the face value of the discount coupon (where no designated product is specified) used for such purchase.

SUMMARY

Selected information extracted from combined statements of financial position

	As at 31 March			As at 30 September
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets	11,309	18,707	30,072	37,386
Current liabilities	4,193	7,010	10,518	12,578
Net current assets	<u>7,116</u>	<u>11,697</u>	<u>19,554</u>	<u>24,808</u>

Selected information extracted from combined statements of cash flows

	For the year ended 31 March			For the six months ended 30 September
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating cash flows before movements in working capital	9,721	21,725	15,307	8,618
Net cash from operating activities	9,920	17,888	3,649	6,388
Net cash used in investing activities	(1,234)	(2,921)	(5,103)	(1,591)
Net cash (used in) from financing activities	(8,278)	(10,206)	4,346	1,115
Net increase in cash and cash equivalents	408	4,761	2,892	5,912
Cash and cash equivalents at beginning of the year/period	5,559	5,967	10,728	13,620
Cash and cash equivalents at end of the year/period	<u>5,967</u>	<u>10,728</u>	<u>13,620</u>	<u>19,532</u>

Key Financial Ratios

	As at 31 March/ For the year ended 31 March			As at 30 September/ For the six months ended 30 September
	2015	2016	2017	2017
Current ratio (times) <i>(Note 1)</i>	2.7	2.7	2.9	3.0
Quick ratio (times) <i>(Note 2)</i>	1.8	1.8	2.1	2.3
Return on equity <i>(Note 3)</i>	79.5%	103.8%	36.2%	17.4% <i>(Note 9)</i>
Return on total assets <i>(Note 4)</i>	54.5%	73.2%	25.9%	12.5% <i>(Note 9)</i>
Debt to equity ratio <i>(Note 5)</i>	0.0%	0.0%	0.0%	0.0%
Net profit margin <i>(Note 6)</i>	15.0%	21.4%	9.3%	10.1%
Gross profit margin <i>(Note 7)</i>	55.0%	60.5%	61.1%	60.5%
Gross profit margin after excluding consignment commission <i>(Note 8)</i>	54.1%	59.6%	60.2%	60.2%

SUMMARY

Notes:

1. Current ratio is calculated by dividing current assets by current liabilities as at the end of respective years and period.
2. Quick ratio is calculated by dividing (current assets minus inventories) by current liabilities as at the end of respective years and period.
3. Return on equity is calculated by dividing profit for the year/period by total equity at the end of the respective years and period.
4. Return on total assets is calculated by dividing profit for the year/period by total assets at the end of the respective years and period.
5. Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank borrowings and bank overdrafts net of pledged bank deposit and bank balances and cash, by total equity at the end of respective years and period.
6. Net profit margin is calculated by the net profit for the year/period divided by the revenue for the respective years and period and multiplied by 100%.
7. Gross profit margin is calculated by the gross profit for the year/period divided by the revenue for the respective years and period and multiplied by 100%.
8. Gross profit margin after excluding consignment commission is calculated by the gross profit from the sale of our products for the year/period divided by the revenue generated from the sale of our products for the respective years and period and multiplied by 100%.
9. Return on equity and return on total assets for the six months ended 30 September 2017 are not comparable to that for each of the three years ended 31 March 2017, respectively.

DIVIDEND

Our Group declared dividends of HK\$8.0 million for the year ended 31 March 2015, HK\$9.8 million for the year ended 31 March 2016, nil for the year ended 31 March 2017 and nil for the six months ended 30 September 2017. All dividends were settled through the amount due to a director.

We do not have a fixed policy for the distribution of dividends. Any payment and amount of dividends (if any) will depend on our operations and earnings, capital requirements and surplus, general financial condition and such other factors that our Directors consider appropriate. It will also be subject to our constitutional documents and the Companies Law, including (where required) the approval of shareholder. The historical distribution of dividends should not be considered as an indication of our future dividends.

RECENT DEVELOPMENTS OF OUR GROUP SUBSEQUENT TO THE TRACK RECORD PERIOD

According to our unaudited combined financial information for the two months ended 30 November 2017, our revenue for the two months ended 30 November 2017 increased moderately as compared to that for the corresponding period in 2016, which was mainly due to the increase in the sales of our products. Our gross profit margin remained stable for the two months ended 30 November 2017 as compared to that for the corresponding period in the previous year.

SUMMARY

Our Directors expect that our operating expenses will increase for the year ending 31 March 2018 mainly due to (i) increase in salaries and allowances for sales staff as a result of the employment of more sales staff; (ii) increase of rental expenses as a result of the opening of our new Retail Stores; (iii) increased staff costs relating to increased headcount in our marketing department, creative department, accounting and finance department, and warehouse and logistics department to support our business expansion. If our Group fails to control our operating expenses effectively, our profitability will be adversely affected.

Our Directors confirm that, save for the above and as disclosed in the paragraph headed “Listing expenses” below in this section, there has been no material adverse change in the market condition in the Hong Kong skincare and cosmetics market and health supplement market in which we operate or the financial or trading position or prospects of our Group since 30 September 2017, being the date to which the latest audited combined financial statements of our Group were made up, and up to the date of this prospectus.

LISTING EXPENSES

We commenced preparation work for the Listing in April 2016. The estimated listing expenses, which are non-recurring in nature, are approximately HK\$30.4 million of which approximately HK\$9.0 million for the issue of new Shares is expected to be accounted for as a deduction from equity and approximately HK\$21.4 million has been or will be charged to our profit and loss prior to or upon completion of the Listing. We have not incurred any listing expenses for the two years ended 31 March 2016. For the year ended 31 March 2017, we have incurred listing expenses of approximately HK\$8.7 million. For the six months ended 30 September 2017, we incurred listing expenses of approximately HK\$1.2 million. For the remaining expenses, we expect to charge approximately HK\$11.5 million to our profit or loss for the year ending 31 March 2018. We also wish to emphasise that our current estimated expenses in relation to the Listing set forth above are for reference only and the final amount to be recognised as our profit or loss for the year ending 31 March 2018 may be different and our estimation is also subject to changes in variables and assumptions at the relevant time. Our Group’s financial performance and results of operations for the year ending 31 March 2018 are expected to be adversely affected by the estimated expenses in relation to the Listing.

SUMMARY

BUSINESS STRATEGIES, FUTURE PLANS AND USE OF PROCEEDS

Our business objectives are to consolidate our leading position in the small and medium segment of the skincare and cosmetics multi-brand specialty retailers market in Hong Kong and expand our retail network and product portfolio in order to enhance our overall competitiveness.

Based on the Offer Price of HK\$0.245 per Offer Share (being the mid-point of the indicative Offer Price range), the net proceeds from the Share Offer are estimated to be approximately HK\$38.2 million, after deducting the underwriting commission and other estimated expenses payable by our Company in relation to the Share Offer. We intend to apply such net proceeds from the Share Offer as follows:

Business Strategies	Approximate amount of net proceeds
Expand our retail network by opening five new Retail Stores between the Listing Date and 31 March 2020 in prime shopping areas and local shopping areas and refurbishing our existing Retail Stores	HK\$13.5 million, or 35.5%
Acquire a warehouse in Hong Kong of approximately 600 sq.m to 800 sq.m and preferably in the eastern part of Hong Kong Island with acquisition and related cost of HK\$30.0 million, of which approximately HK\$11.0 million will be financed from the net proceeds of the Share Offer	HK\$11.0 million, or 28.8%
Expand our product portfolio and explore new suppliers by hiring a product expansion manager, attending trade fairs, exhibitions and conducting feasibility studies and research on new products and markets	HK\$1.4 million, or 3.4%
Enhance our marketing strategies by expanding and exploring more effective online marketing strategies, transforming our website as a lifestyle information portal, revamping Online Shop and deploying more mainstream media	HK\$8.8 million, or 23.2%
Conduct system improvement and integration to develop a centralised information technology infrastructure, connecting our Online Shop, Retail Stores and headquarters in various aspects of our operation	HK\$1.3 million, or 3.4%
General working capital	HK\$2.2 million, or 5.7%

For further details of our future plans and use of proceeds, please refer to the section headed “Future plans and use of proceeds” in this prospectus. Please also refer to the paragraph headed “Future plans and use of proceeds – Reasons for Listing” in this prospectus for detailed reasons for our Listing.

SUMMARY

OFFER STATISTICS

Number of Offer Shares	:	280,000,000 Shares
Number of Placing Shares	:	252,000,000 Shares
Number of Public Offer Shares	:	28,000,000 Shares
Offer Price	:	Not more than HK\$0.27 per Offer Share and expected to be no less than HK\$0.22 per Offer Share
Board lot	:	10,000 Shares

	Based on the Offer Price of HK\$0.22 per Offer Share	Based on the Offer Price of HK\$0.27 per Offer Share
Market capitalisation	HK\$246.4 million	HK\$302.4 million
Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owner of the Company as at 30 September 2017 per Share ^(Note)	HK\$0.07	HK\$0.08

Note: Please refer to Appendix II headed “Unaudited pro forma financial information” to this prospectus for further details regarding the assumptions used and the calculations method.

LITIGATION AND NON-COMPLIANCES

During the Track Record Period, save for the litigation proceedings between a law firm and our Group in relation to our dispute on the firm’s bills in the sum of approximately HK\$756,000, we were not involved in any legal, arbitral or administrative proceedings, either as plaintiff or defendant. In August 2017, in consideration of the best interest of our Group, our Directors decided to resolve the case and a payment of HK\$550,000 has been made by us and the amount has been charged to the profit or loss during the Track Record Period. As at the Latest Practicable Date, we were not aware of any material legal, administrative or arbitration proceedings, any litigations or claims or potential litigations or claims which will commence or to be threatened by or against us which have, or may have, a material adverse effect on our Group’s business, financial condition or operating results.

During the Track Record Period and up to the Latest Practicable Date, there were certain non-compliance incidents, in particular, non-compliance with the permitted use of property as specified in the occupation permits in relation to two of the properties leased by us for operating retail stores during the Track Record Period, which had been ceased from being used as a retail store upon discovery of the non-compliances. Our Directors confirm that save for the non-compliance incidents as disclosed in this prospectus, we complied with all applicable laws and regulations in all material respects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

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For further details, please refer to the paragraphs headed “Business – Litigation” and “Business – Non-compliances” in this prospectus.

RISK FACTORS

We believe that there are certain risks involved in our business and operations. They can be classified into risks relating to: (i) our business; (ii) our industry; (iii) the Share Offer and share performance; and (iv) information contained in this prospectus. We believe that our major risks include:

- Our suppliers, who have granted exclusive distribution right to us to sell their products, can terminate our exclusive distribution agreements with or without cause or refuse to renew the exclusive distribution agreements with us upon expiration, in which case our business, financial condition and operation results may be adversely affected;
- We rely on major suppliers for the supply of branded beauty and health products;
- Our success depends on the market recognition of our brand “mi ming mart” (“袁彌明生活百貨” or “彌明生活百貨”) for offering quality beauty and health products and any damage to our brand name could materially and adversely affect our business and results of operations;
- Our marketing or promotional activities may not be as successful as we have expected;
- Our success and business operations are largely dependent on certain key personnel and our ability to attract and retain talented personnel;
- Slow down in the skincare and cosmetics industry and health supplement industry may materially and adversely affect our Group’s business prospects and results of operations; and
- We are exposed to fluctuations in foreign currency exchange rates.

You should carefully consider the risk factors set out in this prospectus in its entirety before making a decision to invest in the Shares. For further details, please refer to the section headed “Risk factors” in this prospectus.

DEFINITIONS

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

“affiliate(s)”	any other persons, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on 23 January 2018 and to become effective on the Listing Date, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“AU\$” or “AUD” or “Australian dollar”	Australian dollar, the lawful currency of Australia
“Board” or “Board of Directors”	the board of Directors
“business day(s)”	a day which is not a Saturday, a Sunday or a public holiday in Hong Kong and on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the allotment and issue of up to 839,999,998 Shares to be made upon capitalisation of certain amount standing to the credit of the share premium account of our Company as set out in the paragraph headed “A. Further information about our Company and our subsidiaries – 3. Written resolutions of the sole Shareholder” 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

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Mi Ming Mart Holdings Limited (彌明生活百貨控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 4 November 2016
“Confirmatory Deed”	the confirmatory deed executed by Ms. Mimi Yuen dated 17 October 2016, pursuant to which Ms. Mimi Yuen confirmed, inter alia, that she held one share in Inwell registered under her name on trust for and on behalf of Ms. Ying Ka Kwok, Tania from 30 January 2002 until 31 March 2009 and she held 50 shares in Inwell registered under her name on trust for and on behalf of her sister, Ms. Erica Yuen since 31 March 2009
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules, and in the context of our Company, means Prime Era and Ms. Erica Yuen
“core connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Co-Lead Manager”	Quasar Securities Co., Limited, a licensed corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO
“Deed of Indemnity”	the deed of indemnity dated 23 January 2018 and entered into by our Controlling Shareholders in favour of our Company (for itself and as trustees for each of its subsidiaries), particulars of which are set out in the paragraph headed “1. Tax and other indemnities” in the section headed “E. Other information” in Appendix IV to this prospectus

DEFINITIONS

“Deed of Non-Competition”	the deed of non-competition dated 23 January 2018 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), in respect of certain non-competition undertakings given by our Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“Director(s)”	director(s) of our Company
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry consultant engaged by our Group
“F&S Report”	an independent market research report, commissioned by us and prepared by Frost & Sullivan for the purpose of the Listing
“GDP”	gross domestic product
“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
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “Group Company(ies)”, “we”, “our” or “us”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require) or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“HK\$”, “HKD” or “Hong Kong dollar” or “cent”	Hong Kong dollar and cent, respectively, the lawful currency of Hong Kong
“ HK eIPO White Form ”	the application of Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk

DEFINITIONS

“HKAS”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Government”	the government of Hong Kong
“Hong Kong Legal Advisers”	TC & Co., the legal advisers to our Company as to the laws of Hong Kong
“Hong Kong Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Independent Third Party(ies)”	a person(s) or company(ies) which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any of the directors, chief executive and substantial shareholders (within the meaning of the GEM Listing Rules) of our Company, any of its subsidiaries or any of their respective associates
“Inwell”	Inwell International Limited, a company incorporated in Hong Kong with limited liability on 15 July 1993 and a wholly-owned subsidiary of our Company
“Latest Practicable Date”	22 January 2018, being the latest practicable date for the inclusion of information in this prospectus prior to the printing of this prospectus
“Listing”	listing of the Shares on GEM
“Listing Date”	the date on which dealings of the Shares on GEM first commence, which is expected to be on 12 February 2018
“Listing Division”	the Listing Division of the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, conditionally adopted on 23 January 2018 and to become effective on the Listing Date, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“Minimum Wage Ordinance”	Minimum Wage Ordinance (Chapter 608 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Ms. Erica Yuen”	Ms. Yuen Mi Ming Erica (袁彌明), an executive Director, younger sister of Ms. Mimi Yuen and a connected person of our Company
“Ms. Mimi Yuen”	Ms. Yuen Mimi Mi Wahng (袁彌望), an executive Director, elder sister of Ms. Erica Yuen and a connected person of our Company
“Offer Price”	the final price per Offer Share (exclusive of any brokerage fee, SFC transaction levy and Stock Exchange trading fee) of not more than HK\$0.27 per Offer Share and expected to be not less than HK\$0.22 per Offer Share of which the Offer Shares are to be offered for subscription pursuant to the Share Offer, to be determined as further disclosed in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Offer Share(s)”	collectively, the Placing Shares and the Public Offer Shares
“Online Shop”	our online sales services provided through our website at www.mimingmart.com
“Placing”	the conditional placing of the Placing Shares at the Offer Price by the Placing Underwriters on behalf of our Company for cash as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 252,000,000 Shares being offered by our Company for subscription under the Placing subject to reallocation, as described under the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters that are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on or around 2 February 2018 by, among others, our Company and the Placing Underwriters relating to the Placing
“POS system”	means point-of-sale system
“PRC” or “China”	The People’s Republic of China which, for the purpose of this prospectus, shall exclude Hong Kong, Macau and Taiwan
“PRC Legal Advisers”	DeHeng Law Offices (Shenzhen) (北京德恒(深圳)律師事務所), the legal advisers to our Company as to PRC law
“Price Determination Agreement”	the agreement to be entered into between the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company on or around the Price Determination Date to fix the Offer Price
“Price Determination Date”	the date, expected to be on or about 2 February 2018 (or such other date as may be agreed between the Sole Lead Manager (for itself and on behalf of the Underwriters) and the Company, on which the Offer Price is to be fixed
“Prime Era”	Prime Era Holdings Limited, a company incorporated in the BVI on 15 March 2016 with liability limited by shares, the entire shareholding interest of which is owned by Ms. Erica Yuen

DEFINITIONS

“Public Offer”	the issue and offer of the Public Offer Shares for subscription in Hong Kong at the Offer Price on and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 28,000,000 Shares (subject to reallocation) offered by our Company for subscription in the Public Offer, as described under the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer, whose names are set out under the paragraph headed “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 29 January 2018 entered into among our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Lead Manager, the Sole Bookrunner, the Co-Lead Manager and the Public Offer Underwriters relating to the Public Offer
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, particulars of which are set forth under the paragraph headed “A. Further information about our Company and our subsidiaries – 4. Reorganisation” in Appendix IV to this prospectus
“Reorganisation Agreement”	the reorganisation agreement dated 23 January 2018 entered into between Ms. Erica Yuen as seller, our Company as purchaser and Prime Era, pursuant to which Ms. Erica Yuen transferred the entire issued share capital of Rosy Horizon to our Company, in consideration of which our Company allotted and issued one new Share credited as fully paid to Prime Era
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in the paragraph headed “A. Further information about our Company and our subsidiaries – 3. Written resolutions of the sole Shareholder” in Appendix IV to this prospectus
“Retail Stores”	the nine Retail Stores of our Group situated in Causeway Bay, Mongkok, Shatin, Tsim Sha Tsui, Tsuen Wan, Yuen Long, Quarry Bay, Tuen Mun and Tseung Kwan O respectively as at the Latest Practicable Date and any other Retail Stores operated or to be operated by our Group, each a “Retail Store”

DEFINITIONS

“Rosy Horizon”	Rosy Horizon Global Limited, a company incorporated in the BVI on 8 March 2016 with liability limited by shares and a direct wholly-owned subsidiary of our Company after the Reorganisation
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 23 January 2018, a summary of its principal terms is set forth in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Shares
“Share Offer”	the Public Offer and the Placing
“Shares”	ordinary shares of our Company with a nominal or par value of HK\$0.01 each in the share capital of our Company
“Sole Bookrunner”, “Sole Lead Manager” or “Kingston Securities”	Kingston Securities Limited, a licensed corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO, being the sole bookrunner, sole lead manager and underwriter of the Share Offer
“Sole Sponsor” or “Kingston Corporate Finance”	Kingston Corporate Finance Limited, a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the sole sponsor to the Listing
“sq.m.” or “m ² ”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Synergie”	Synergie Skin Pty Ltd, a company incorporated in Australia, which is the largest supplier of our Group during the Track Record Period and an Independent Third Party
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Track Record Period”	the period comprising the three years ended 31 March 2017 and the six months ended 30 September 2017
“Trade Marks Registry”	Trade Marks Registry of the Intellectual Property Department of the Hong Kong Government
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States”, “U.S.” or “US”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$” or “U.S. dollar” or “US dollar”	United States dollar, the lawful currency of the United States
“ 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/applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent.

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

All times and dates refer to Hong Kong local time.

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, amounts denominated in US dollar have been translated into Hong Kong dollar at the exchange rate of US\$1.00 = HK\$7.80. No representation is made that any amounts in US dollar were or could have been converted at such rate or at any other rate on such date or on any other date.

GLOSSARY OF TECHNICAL TERMS

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

“authorised distributor”	a person or an entity who is authorised to distribute products of a specific brand in certain regions
“beauty products”	include both skincare products and cosmetic products
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“cosmetic products”	the products for enhancing one’s appearance, which mainly include facial cosmetics, eye cosmetics, lip products and nail products
“cross-border e-commerce”	generally refers to a commercial activity involving parties in different customs territories which conclude a transaction, settle payment, dispatch/receive a product through a cross-border logistics service supplier, and complete a deal
“health products”	include both food and health supplements, which mainly include dietary supplements, fruit chips and teas
“health supplements”	products that can help regulate the functions of human body, and are generally classified into five categories by functions for specific people, including general nutritional health supplements, maternal, baby and children health supplements, joint and bone health supplements, eye health supplements and other health supplements
“ISO”	the International Organisations for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality management systems of business organisations and developing and publishing international standard for quality management
“ISO 9001:2015”	ISO 9001 certification is an internationally recognised standard for quality management
“large segment”	a segment in the skincare and cosmetics multi-brand specialty retailers market where the revenue of any retailer under this segment is over HK\$100 million per annum and the number of retail stores is not less than ten in Hong Kong
“local shopping areas”	the areas or districts which are generally regarded as the areas resided by local residents with facilities and buildings containing a group of retail shops, serving a sizable local community, and any other areas or districts which are not prime shopping areas

GLOSSARY OF TECHNICAL TERMS

“mass products”	skincare and cosmetic products with a retail price of less than HK\$200 per set/piece
“mid to high-end products”	skincare and cosmetic products with a retail price from HK\$200 to HK\$800 per set/piece
“premium products”	skincare and cosmetic products with a retail price of above HK\$800 per set/piece
“prime shopping areas”	the areas or districts which are generally regarded as shopping areas with high consumer traffic flow and attract both local shoppers and visitors
“skincare products”	the products for enhancing the appearance and condition of skin, which mainly include products for face care, body care, hand care and sun care products
“small and medium segment”	a segment in the skincare and cosmetics multi-brand specialty retailers market where the revenue of any retailer under this segment is less than HK\$100 million per annum and the number of retail stores is less than ten in Hong Kong

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may”, “will”, “should”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “continue”, “seek”, “estimate”, or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our business strategies, development activities, estimates and projections, expectations concerning future operations, profit margins, profitability, competition and the effects of regulation.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Although these forward-looking statements are made by our Directors after due and careful consideration, these statements reflect the current views of the management of our Group with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of the risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are neither statements of historical fact nor guarantees or assurances of future performance. Hence, you should not place undue reliance on such forward-looking statements.

Important factors that could cause our actual results to differ materially from those in the forward-looking statements include, but are not limited to, regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- the success of our existing and future operations;
- general economic trends and conditions;
- our ability to materialise and manage our planned business expansion;
- our ability to retain senior management team members and recruit qualified and experienced new team members;
- our ability to maintain our competitiveness and operational efficiency;
- our prospective financial conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- laws, regulations and rules for the skincare and cosmetics industry in Hong Kong; and
- other factors that are described in the section headed “Risk factors” in this prospectus.

FORWARD-LOOKING STATEMENTS

Any forward-looking statement made in this prospectus applies only as at the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Prospective investors should carefully consider all of the information in this prospectus including the risks, uncertainties and special considerations in connection with an investment in our Company described below before making an investment in the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our suppliers, who have granted exclusive distribution right to us to sell their products, can terminate our exclusive distribution agreements with or without cause or refuse to renew the exclusive distribution agreements with us upon expiration, in which case our business, financial condition and operation results may be adversely affected

During the Track Record Period, we were the exclusive distributor of six brands, “Synergie Skin”, “Synergie Minerals”, “pHion”, “Mayella”, “Secret Garden” (which had been ceased for sale in December 2016) and “Snow Fox” in Hong Kong. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, our Group’s aggregate purchases of products in respect of these brands, accounted for approximately 45.8%, 58.0%, 52.2% and 52.4% of our total purchases, respectively. In particular, the purchase from our largest supplier, namely, Synergie, who offers skincare products and cosmetics products to us under the brands “Synergie Skin” and “Synergie Minerals”, accounted for approximately 39.2%, 46.0%, 41.9% and 42.8% of our total purchases, respectively. The sale of “Synergie Skin” and “Synergie Minerals” branded products accounted for approximately 52.8%, 61.6%, 61.3% and 61.2% of our revenue generated from the sale of our products, respectively. In December 2017, we became the exclusive distributor of the brand “Plabeau” in Hong Kong.

The exclusive distribution agreements we entered into with these suppliers provide that the suppliers can terminate such agreements if we are in breach of or fail to perform certain terms and conditions of the exclusive distribution agreements. Furthermore, the exclusive distribution agreements relating to the “pHion” and “Mayella” branded products are terminable by either party by giving 180 days’ notice and three months’ notice after the end of the initial contract period, respectively.

On the other hand, if those suppliers who have granted exclusive distribution right to us change their sales or marketing strategy in respect of their products by ceasing our exclusive rights upon expiration of the exclusive distribution agreements, selling their products to other skincare and cosmetics retailers or to end customers directly, changing their product development plan, or reducing the sales or production volume of a particular product under a particular brand, our business and operations may be materially and adversely affected. As at the Latest Practicable Date, while the exclusive supply agreement related to “Synergie Skin” and “Synergie Minerals” branded products will expire on 14 September 2027 with an automatic renewal period of five years, the exclusive supply agreements related to “pHion” branded products, “Mayella” branded products (including “Secret Garden” branded products which had been ceased for production since December 2016) and “Plabeau” branded products will expire on 24 October 2019, 8 September 2019 and 18 December 2019, respectively. The exclusive supply agreement related to “Snow Fox” branded products will expire on 25 September 2020.

RISK FACTORS

Furthermore, if we fail to renew the exclusive distribution agreements with these suppliers on an exclusive basis, the exclusive distribution rights of their products may fall into the hands of our competitors.

Hence, there is no assurance that these suppliers will continue to supply products to us on an exclusive basis in the future or that they will not terminate the exclusive distribution agreements with us. If they do so, we will have to source products from other suppliers who meet our selection requirements, particularly, products which do not contain any harmful ingredients or substances set out in our excluded list. Hence, the termination of any of our exclusive distribution agreements with the suppliers, which have granted exclusive distribution rights to us to sell their products, could have a material adverse impact on our business, financial condition and operating results.

We have limited product breadth as compared to other retailers in the Hong Kong skincare and cosmetics multi-brand specialty retailers market

As at the Latest Practicable Date, though we offered more than 300 kinds of products in over 35 brands (including the products sold by us under our six exclusive brands, namely, “Synergie Skin”, “Synergie Minerals”, “pHion”, “Mayella”, “Snow Fox” and “Plabeau”), other skincare and cosmetics multi-brand specialty retailers, especially those large skincare and cosmetics multi-brand specialty retailers (having a total revenue of over HK\$100 million per annum and no less than 10 retail stores in Hong Kong), generally offer more products to customers than us in terms of product types and brands. During the Track Record Period, approximately 60.3%, 71.2%, 69.9% and 68.2%, respectively, of our revenue generated from the sale of our products was derived from the sale of the branded products of which we had the exclusive distribution right. Hence, if we lose the distribution right of all or any of these brands, or these brands are harmed by product defects, product liability claims, consumer complaints or negative publicity or media reports and we cannot offer sufficient choices of alternative branded products which are equally appealing to our customers on a timely basis, the level of customers’ recognition of, and trust in, us, our brand and our products as well as our operating results could be materially and adversely affected.

We rely on major suppliers for the supply of the branded beauty and health products

For the three years ended 31 March 2017 and for the six months ended 30 September 2017, the aggregate purchases from our Group’s five largest suppliers accounted for approximately 65.3%, 72.7%, 67.7% and 65.3% of our total purchases, respectively, and our largest supplier Synergie accounted for approximately 39.2%, 46.0%, 41.9% and 42.8% of our total purchases, respectively. In turn, our business, financial condition and operating results depend on the continuous supply of beauty and health products from our five largest suppliers and continuous business relationship with them. Among the five largest suppliers, our heavy reliance on Synergie for the supply of its branded skincare and cosmetic products will have a significant impact on our business and results of operation in the event of any shortage of or delay in the supply. For further details of our relationship with these suppliers, please refer to the paragraph headed “Business – Suppliers” in this prospectus.

RISK FACTORS

Our success depends on the market recognition of our brand “mi ming mart” (“袁彌明生活百貨” or “彌明生活百貨”) for offering quality beauty and health products and any damage to our brand name could materially and adversely affect our business and results of operations

We believe our success is attributable to our brand name “mi ming mart” (“袁彌明生活百貨” or “彌明生活百貨”) for offering quality beauty and health products. The success of our brand is attributable to the expertise and experience of our founder, chairlady, executive Director and chief executive officer, Ms. Erica Yuen. Ms. Erica Yuen has dedicated a tremendous amount of resources and effort in establishing our brand. She has personally tried a majority of the products we offer for sale, reviewed the ingredients and effectiveness of the products and shared her views on the products through online media and social networking platforms, which together not only facilitated interaction with our customers, but also enhanced our customers’ confidence in our products. We have registered and used the trademarks for “mi ming mart”, “MI MING MART”, “袁彌明生活百貨” and “彌明生活百貨” which have embedded the name of our founder, Ms. Erica Yuen. We believe that the maintenance of our brand name and the public’s perception of our brand are critical to our success. Hence, any incident that damages our customers’ trust and confidence in our products may damage our brand value, which would in turn adversely affect the implementation of our expansion plan. As we continue to grow in size, expand our product range and extend our geographic reach, maintaining quality and consistency may become increasingly difficult and we cannot assure you that consumers’ confidence in the brands will not diminish. If consumers perceive or experience a drop in the quality of our products, our brand value could suffer, which could have a material adverse effect on our business.

Our marketing or promotional activities may not be as successful as we have expected

The success in building up and maintaining our brand recognition and enhancing customers’ confidence in our products depends significantly on the effectiveness of our Group’s marketing and promotional activities. Our Group relies on a combination of different media to ensure broad coverage and deep market penetration of our products, including interactive online media and social networking platforms, and other media such as television, public transportation displays and billboards. Our Group also organises in-store marketing and promotional activities, such as a monthly sale promotion to promote the selected products of our Group from time to time and has introduced a customer membership programme to enhance customers’ loyalty to our brand. These marketing and promotional activities are crucial to the success of our Group’s products. Going forward, we intend to deploy more mainstream media such as television, outdoor advertising, newspaper and magazines, advertising in mass transit railway stations and mobile phone applications.

However, our Group’s ability to maintain or develop our marketing capabilities can be adversely affected by various factors, such as our Group’s ability to accurately identify consumer preferences and effectively manage media resources, in compliance with the relevant laws and regulations condition on various marketing means and advertisements. Any factor adversely affecting the scale and effectiveness of our Group’s marketing and promotional strategies may have an adverse effect on the market share, brand recognition and reputation of our products. In addition, any significant increase in our Group’s marketing expenses, whether due to market and government policies or otherwise, may adversely impact the profitability of our Group’s products.

RISK FACTORS

Our success and business operations are largely dependent on certain key personnel and our ability to attract and retain talented personnel

Our senior management team is responsible for the overall business development of our Group. Our success depends on the continued services of our senior management team, in particular, our executive Directors, who play vital roles in our operation. If one or more of our senior management team or other key employees are unable or unwilling to continue to render their services to us or remain in their present positions, we may not be able to replace them promptly or at all, which may severely disrupt our business and affect our results of operations and future prospects.

Our success is also dependent upon our ability to attract and retain personnel who have the necessary experience and expertise. We will require more capable personnel to fill up the sales and marketing positions, particularly, when we implement our plan to expand our retail network. However, competition for qualified personnel in Hong Kong is intense. If we cannot recruit and retain the employees necessary to our operations, our expansion capabilities may be limited, which could in turn reduce our profitability and limit our ability to grow. In addition, the competition for qualified personnel in Hong Kong may drive up our staff costs, and may in turn increase our costs of operations and profitability. In such circumstances, our business, financial condition and results of operations may be materially and adversely affected.

Dependence on protection of our trademarks and intellectual property rights

As at the Latest Practicable Date, we have registered our major trademarks in Hong Kong, Macau, the PRC and Taiwan. For further details of our Group's registered trademarks, please refer to the paragraph headed "B. Further information about the business of our Group – 2. Intellectual property rights of our Group" in Appendix IV to this prospectus. Our Directors consider that all of our major trademarks have been registered.

We believe that our success depends in part on our ability to protect our brand, trademarks and other intellectual property rights. We have taken steps to protect our trademarks by registering them in Hong Kong, Macau, the PRC and Taiwan. However, such protection may not be adequate to protect our rights. Any unauthorised use of our brand and trademarks could harm our competitive advantages and goodwill.

As at the Latest Practicable Date, we were not aware of any material violations or infringement of intellectual property rights by any third parties. As at the Latest Practicable Date, no claims or disputes of material importance have been brought by us and there is no infringement action of material importance pending against us. However, we cannot assure you that we can prevent, deter infringement or other misappropriation of our intellectual property rights. We may not be able to detect unauthorised use or take appropriate and timely steps to enforce our intellectual property rights. Claims may be brought against us by, or we may assert claims against, other parties involving disputes arising from our intellectual property rights. If we are unable to resolve such claims through negotiations, we may face or commence legal proceedings which may be costly, unsuccessful, divert the efforts of our management away from our business and thereby adversely affect our business, financial condition and results of operations.

RISK FACTORS

We are exposed to the risks relating to the commercial real estate rental market

During the Track Record Period, all our Retail Stores, office and warehouse were operated in the properties we leased from Independent Third Parties. Hence, rental expenses accounted for a significant portion of our operating expenses. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, property rentals for our Retail Stores, office and warehouse amounted to approximately HK\$4.3 million, HK\$7.2 million, HK\$10.3 million and HK\$6.5 million, respectively, representing approximately 8.9%, 8.8%, 9.9% and 11.7% of our total revenue, respectively. The tenancy agreements for our Retail Stores normally have a fixed term ranging from two to three years. As at the Latest Practicable Date, five leases of our nine Retail Stores will expire in 2018 while the remaining leases will expire in 2019. Save for the tenancy agreements with respect to our Retail Stores in Causeway Bay and Tsim Sha Tsui, we are obligated to pay additional rental payments based on the actual turnover of the Retail Stores under the relevant tenancy agreements. Hence, our rental expenses will increase correspondingly if our sales increase.

In respect of our Retail Stores, if we cannot reach an agreement with the landlords for the renewal of the tenancy agreements upon their expiration on terms and conditions acceptable by us, we will have to close down the relevant Retail Store and look for a new commercial property in the vicinity to reopen the Retail Store. We cannot assure you that we can identify suitable properties in the vicinity thereof or compete with our competitors for suitable locations in prime shopping areas or major local shopping areas to open our Retail Stores. If that happens, we may have to move our existing Retail Stores to other locations, which would not only incur relocation costs, such as the renovation costs and payment of rental deposits, but may also lead to a loss of sales for the existing Retail Store that would have contributed during its period of cessation of business. We cannot assure you that the relocated Retail Stores can generate the same or more revenue and profit previously generated from the closed Retail Stores.

In respect of our office or warehouse, if we cannot reach an agreement with the landlord for the renewal of the relevant tenancy agreement, we will have to relocate our office or warehouse and will cause material disruption to our business operations.

Hence, any relocation of our Retail Stores, office and/or warehouse would have a material adverse effect on our business and operating results.

We have limited control over the quality of the products offered by us and any quality issues relating to these products could adversely affect our reputation and business

In the course of our business, we sell a wide variety of beauty and health products which are sourced from our selected overseas and local suppliers. As we are not involved in the production of these products, in the case there are quality issues relating to these products, we may consequently be involved in legal or other proceedings initiated in relation to product liability, for instance, an end-user of the product may have an adverse reaction to the product, or the product is alleged to have infringed the intellectual property rights of a third party. These proceedings would involve risk and any unexpected outcome that may have a material adverse impact on our financial results.

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Furthermore, though we are provided with the ingredient information of the products and we would request the supplier to provide us with the relevant laboratory test report or arrange the product for ingredient examination through an external laboratory or review its ingredients when we launch new exclusive products, particularly products which we distribute exclusively and health supplement products, such laboratory test reports or ingredient examinations focus on the ingredients of the product only. Hence, if any batch of products are contaminated in the course of subsequent production or damaged in the course of transportation on which we cannot control, we cannot assure you that we would not be involved in any legal proceedings related to the quality of any single product sold by us. Furthermore, we cannot assure you that we will be able to detect defective raw materials or finished products in every circumstance, particularly we are not involved in its production. If any of our products is perceived to have any side effects, we may face a number of consequences, including (i) product liability claims, in the event of any allegation that products sold by us are found to be unfit for use or consumption or cause illness, which may be due to a number of reasons, including contamination of ingredients or illegal tampering by unauthorised third parties that we or our suppliers may have failed to identify, or (ii) product recalls, removal of regulatory approvals for such products and exposure to lawsuits, if the use of our Group's products is alleged to have resulted in the side effects or injury.

Our business operations and financial performance may be materially affected if any product liability claim arises. We cannot assure you that the products offered by us for sale in the future will be free from any quality issues or that we will not be party to any legal proceedings, including matters involving product liability claims or breach of third party intellectual property rights and other proceedings arising from our operations. If we trade defective products, our customers may lose confidence in our Group and/or our products and our reputation could be severely damaged, which in turn could lead to a decrease in demand for our products and cause adverse impact on our financial condition and results of operations.

We are exposed to fluctuations in foreign currency exchange rates

We purchase our beauty and health products from various suppliers and manufacturers, including directly from the suppliers located in the overseas countries of Australia and the US, and the settlement currency for our purchases is primarily in the local currencies of our suppliers whereas the settlement currency for all of our sales is in Hong Kong dollar. During the Track Record Period, approximately 39.2%, 46.0%, 41.9% and 42.8% of our total purchases were settled in Australian dollar, respectively. Accordingly, fluctuations in Australian dollar against Hong Kong dollar may increase or decrease our profit margin and affect our results of operations. Our Group currently does not have any foreign currency hedging policy. We cannot assure you that this policy will relieve us from our exposure to any foreign exchange gain or loss from our purchase of products in Australian dollar.

Our functional currency is the Hong Kong dollar, which we consider to be the currency of the primary economic environment affecting our business operations. All of our purchases made in foreign currencies are translated into Hong Kong dollar at prevailing rate relevant at the time of settlement of the transaction or at the average exchange rate of our Australian dollar bank deposits for purchases settled with the deposits. The fluctuation in foreign currencies would affect our cost of goods sold in terms of Hong Kong dollar. Accordingly, the profits we derived from transactions in foreign currencies would be lower should there be any appreciation in the exchange rates of the respective currencies against Hong Kong dollar.

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Furthermore, in order to maintain our competitiveness in the market, we may not be able to increase the selling prices of our products to cover losses derived from fluctuations in foreign currency exchange rates. Accordingly, fluctuations in foreign currency exchange rates may adversely affect our results of operations.

Demand for our Group's products is sensitive to changes in consumer spending patterns

As at the Latest Practicable Date, we offered more than 300 kinds of products in over 35 brands. The wide spectrum of beauty and health products we offer to customers enables us to target a diverse range of customers who are health conscious and who are looking for products that are transparent in their ingredient composition. Our success therefore depends, to a large extent, on our ability to offer a diversified portfolio of products and meet changing consumer preferences and needs. There is no assurance that the existing products distributed by us will be able to satisfy changes in consumer preferences and needs.

We may also fail to anticipate, identify or respond to changes in consumer preferences and needs on a timely basis, and we cannot assure you that we will be able to gain market receptiveness and market share for our products. Consumer preferences and demands for products and brands change from time to time for various reasons, such as negative publicity regarding our products and brands, the emergence of competitive products and brands, or a general decrease in demand for certain beauty and health products sold by us. Any of these events could adversely affect our competitive advantage and market share, which in turn could materially and adversely affect our business, financial condition and results of operations. Furthermore, our competitors may be able to introduce products that are more appealing to consumers.

We are subject to seasonality and other factors as a multi-brand specialty retailer

During the three years ended 31 March 2017, we generally derived a higher amount of revenue generated from the sale of our products in August and December and a lower amount in April, September and November. Our respective monthly average revenue generated from the sale of our products during peak months, being August and December, accounted for approximately 11.7%, 10.7% and 11.7% of our revenue generated from the sale of our products for the three years ended 31 March 2017, respectively. Our respective monthly average revenue generated from the sale of our products during low months, being April, September and November, accounted for approximately 6.0%, 6.7% and 6.7% of our revenue generated from the sale of our products for the three years ended 31 March 2017, respectively. Our Directors believe that this seasonal pattern is primarily due to the historical pattern of consumers' spending during our anniversary sale in August and the festive season in December when we launch our Christmas sale. This seasonal pattern may result in the fluctuation of our operating results, therefore, comparing our results of operations across the different periods of a given year as an indicator of our performance may not be meaningful and should not be relied upon as indicators of future performance. Furthermore, if our operations are disrupted or affected by unpredictable events taking place during these festive seasons, our business, financial condition and results of operations would be adversely affected.

We substantially rely on the Hong Kong market and any substantial increase in the cost structure of the skincare and cosmetics multi-brand specialty retailers market or possible slowdown in the Hong Kong economy may adversely affect our business, results of operations and financial performance

During the Track Record Period and as at the Latest Practicable Date, all our Retail Stores were located in Hong Kong, and approximately 94.1%, 95.6%, 95.7% and 97.5% of our revenue generated from the sale of our products was from our Retail Stores for the three years ended 31 March 2017 and for

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the six months ended 30 September 2017, respectively. Hence, we substantially rely on the Hong Kong market. We anticipate that we will continue to derive a significant portion of our sales from Hong Kong in the near future.

Furthermore, if Hong Kong experiences any adverse economic, political or regulatory changes due to events beyond our control, such as local economic downturns, natural disasters, contagious disease outbreak, or if the government adopts regulations that place restrictions on us or on our industry in general, our business, results of operation and prospects would be materially and adversely affected.

We may not be able to implement all or any of our business plans successfully

As part of our business strategies, we plan to expand our retail network by opening five new Retail Stores between the Listing Date and 31 March 2020, acquire a warehouse, expand our product portfolio and explore new suppliers, enhance our marketing activities, update our website, and conduct system improvement and integration. Such future plan is developed based on a number of assumptions, forecasts and commitments of our Group. We may not succeed in executing our business strategies due to a number of reasons, including the following:

- we may fail to identify and rent suitable premises within our expected budget for opening additional Retail Stores or recruit a sufficient number of skilled sales-persons to align with our expansion plan. In particular, to increase our market presence in Causeway Bay and Mongkok, prime shopping areas in Hong Kong, we plan to open two additional Retail Stores in these two areas and thus there is a risk that the customer traffic and the market share of our existing Retail Stores in these two areas would be reduced due to cannibalization;
- we may not be able to identify and acquire a warehouse within our expected size and budget;
- we may not have sufficient available financial resources;
- we may not be able to negotiate favourable terms with our suppliers;
- we may not be able to hire, train and retain skilled sales and managerial personnel for the sales and distribution of our products;
- we may fail to adapt to the new information technology system;
- we may fail to expand our sales and marketing network;
- we may fail to meet our customers' demands for skincare and cosmetic products and health supplements; and
- we may fail to reach our expected targets from our expansion plan and business strategies.

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If we encounter difficulties in implementing our business strategies, our growth prospects may be limited, which could in turn have a material adverse effect on our business, financial condition and results of operations. On the other hand, there is no assurance that all or any of our business strategies and future plans will be successfully implemented.

We may face the risk of obsolescence for our inventory

Our operation involves storage and stocking of a wide range of skincare products, cosmetics, food and health supplements and other products with a relatively short shelf life. Owing to the nature of our products, we have implemented measures and procedures such as keeping the stock level of our inventory for two months' sales with a focus on controlling our inventory holding costs and to maintain the variety of products available for sale in our Retail Stores. However, demand for our products may change significantly or swiftly between the time inventory is ordered and the date by which we plan to sell it and as such, our customers may not purchase products in the quantity as we expect. We will consider impairment of inventory as a result of expiry or damage of products and when as necessary.

No provision for impairment of inventories was recorded during the Track Record Period. Our inventory inevitably faces obsolescence risks where there are unexpected material fluctuations or abnormalities in the supply and demand of our products by suppliers and customers, respectively or where there are changes in customers' tastes and preferences or introduction of new products in the market which may lead to decreased demand and overstocking of particular products. Any decrease in demand for our products may result in shelving of products which increases the risk of obsolescence.

Our inventories had increased significantly during the Track Record Period. Inventories amounted to approximately HK\$3.7 million, HK\$5.9 million, HK\$7.5 million and HK\$8.6 million, respectively, representing approximately 32.7%, 31.8%, 24.8% and 22.9% of our total current assets as at 31 March 2015, 31 March 2016 and 31 March 2017 and 30 September 2017, respectively. If we fail to manage our inventory effectively, we may be subject to high risks of inventory obsolescence, a decline in our inventory values and significant write-downs or write-offs. In addition, we may have to reduce the sale price of our products in order to reduce our inventory level, which may lead to lower gross margins. In such circumstances, our business, financial condition and results of operations may be materially and adversely affected.

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Prior dividend distributions are not an indication of our future dividend policy and we may not be able to pay any dividend on our Shares

Inwell declared dividends during the three years ended 31 March 2017 and for the six months ended 30 September 2017 in the sum of HK\$8.0 million, HK\$9.8 million, nil and nil, respectively, to its shareholder. Such dividend was fully settled in the said respective years. However, historical dividend distributions are not indicative of our future distribution policy and we cannot assure you that dividends of similar amounts or at similar rates will be declared in the future. Any amount of dividends to be declared and paid by our Group will be at the discretion of our Directors taking into consideration our future operations, earnings, capital requirements, surplus, general financial condition and such other factors that our Directors consider appropriate. Any declaration and payment as well as the amount of dividends will also be subject to the Articles and the Companies Law, including (where required) the approval of our Shareholders. Therefore, we cannot guarantee when, if and in what form dividends will be paid on our Shares following the Share Offer. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

In respect of our operating lease commitments, the future application of HKFRS 16 may materially affect the amounts of right-of-use assets, lease liabilities, rental expenses, interest expense and amortisation

During the Track Record Period, our Group entered into various lease arrangements in relation to our business operation. Our current accounting policy for such lease arrangements is set out in Note 3 to the Accountants' Report on Historical Financial Information contained in Appendix I to this prospectus. As at 30 September 2017, the Group had non-cancellable operating lease commitments of approximately HK\$16,571,000 and such amounts had original lease terms of over one year. In addition, our Group currently considers refundable rental deposits paid of approximately HK\$4,958,000 as rights and obligations under leases to which HKAS 17 applies.

During the Track Record Period, our future operating lease commitments were not recognised in the combined statements of financial position of our Group. HKFRS 16 "Leases", which we expect to apply for the first time in our financial year beginning on 1 April 2019, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees.

Upon the application of the new standard, there will result an increase in right-of-use assets and lease liabilities in the combined statement of financial position of our Group. This will affect the related financial ratios, such as an increase in debt to equity ratio. We do not have any existing financial covenants that are directly affected by changes in our lease liability position. In our combined statement of profit or loss and other comprehensive income, the financial impact of leases will be recognised in the future as amortisation of right-of-use assets and will no longer be recorded as rental expenses. Interest expense on the lease liabilities will be presented separately under finance costs. As a result, the rental expenses under otherwise identical circumstances will decrease, while amortisation and interest expense will increase. The details of the application of HKFRS 16 are set out in note 2 to the Accountants' Report on Historical Financial Information contained in Appendix I to this prospectus.

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RISKS RELATING TO OUR INDUSTRY

Slow down in the skincare and cosmetics industry and health supplement industry may materially and adversely affect our Group's business prospects and results of operations

Our Group's products are subject to the level of growth of the skincare and cosmetics market and health supplement market and any changes in consumer preferences, demand and spending habits. Our Group's performance depends on factors which may affect the level and pattern of consumer spending in general, and on skincare, cosmetic and health supplements products in particular. Consumer preferences and demand may shift away from such products for various reasons, including but not limited to:

- changes in consumer belief that such products may be effective in achieving their claimed benefits;
- decline in consumer confidence and perceptions of such products due to negative publicity; and
- a general decrease in consumer preferences for skincare, cosmetic and health supplement products as compared to other types of products or technology that claim similar benefits, such as non-invasive skin therapy.

Moreover, a general decline in the sales of our Group's products may occur as a result of a slowdown in the skincare and cosmetics industry and health supplement industry or any changes in industry trends, consumer preferences and shopping habits at any time and our Group's future success will depend partly on our Group's ability to anticipate and respond to such changes. If our Group is unable to anticipate or respond to such changes in a timely manner or develop products that can successfully meet the constantly changing market trend and demand, our Group's competitiveness and sales may decrease. Any of these events could adversely affect our Group's competitive advantage and market share, resulting in a material adverse effect on our Group's business, operational results and financial condition.

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

According to the F&S Report, as of 2016, there were over 50 small and medium skincare and cosmetics multi-brand specialty retailers in Hong Kong and we ranked second in the small and medium segment of the skincare and cosmetics multi-brand specialty retailers market in Hong Kong in terms of revenue generated from the sale of skincare products and cosmetic products for the calendar year of 2016. We may be less competitive than some of our competitors in terms of scale of operations and human and financial resources. We cannot assure you that our current or potential competitors will not provide products comparable to or of better quality than those we provide and adapt or respond quicker than we do to evolving industry trends or changing market preferences and requirements or consumer spending behaviors. It is also possible that there may be merger and acquisition or alliances among our competitors, which may rapidly acquire significant market share.

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Furthermore, competition may lead competitors to raise their expenditures significantly in advertising and promotional activities or engage in irrational or predatory pricing. A few factors, including an increase in operational efficiency, adoption of competitive pricing strategies, expansion of operations or adoption of innovative marketing methods, may have a material adverse effect on our business, results of operations and financial condition. Increased competition may lead to an increase in our costs of sales and a loss in our market share, which may have a material adverse effect on our profit margins. We cannot assure you that we will be able to compete against current and future competitors effectively or cost-efficiently.

We are exposed to the risk that the products to be offered by us for sale in Hong Kong may be imported to Hong Kong through parallel trading

Despite our exclusive right for certain branded products in Hong Kong and other authorised territories granted to our Group, these products can be imported to Hong Kong by parallel traders without proper authorisations from the brand owners or suppliers. These parallel-imported products may be sold at a lower price than ours owing to their lower operational and promotional costs.

Our Directors note that selling parallel-imported goods in Hong Kong is not illegal provided that the physical appearance and quality of these parallel-imported goods have not been altered from their authorised counterparts or these products have not deteriorated or been tampered with and the original condition has not been changed or impaired or the packaging or any printed materials of such products would not infringe the copyright of the brand owners of these products. If that happens, our Group, being the exclusive distributor of the authorised products in Hong Kong, may, insofar as we are authorised by the brand owner pursuant to the exclusive distribution agreement or we have sought its authorisation, has to take legal actions against the parallel traders based on the provisions of the Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong), Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) and under common law, which will be costly and time consuming. At the same time, if there is any quality issue on the parallel-imported products, it may lead to negative publicity on the products and their brands, which may cause damage to our Group reputation and brand name.

Alternatively, we can notify the brand owner of the infringement incidences and request the brand owner to take legal action.

However, if the parallel importers sell our exclusive products without infringing the brand owners' trademark or copyright or any other intellectual property rights, we cannot restrain the parallel importers from selling the products in Hong Kong. In such circumstances, to protect ourselves under such risk, subject to the brand owners' consent, particularly, the owner of the Synergie branded products, we would stick the security hologram label onto each product in order to distinguish our products from those parallel imported products; and publish in our website and other publications that we are the exclusive distributor of the products in the region specified. However, these two measures are relatively passive and might not be able to discourage consumers to purchase parallel imported goods in view of the lower price offered by these parallel importers. Furthermore, once we have noticed that the products that we distribute exclusively are available for sale in Hong Kong by parallel importing, we would notify the brand owners to take proper actions and not to sell the products to third party for bulk purchase. As we are not the brand owner of the products we distribute exclusively, the action we can take against the infringer, if any, of the trademarks of the products we distribute exclusively is rather limited.

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Furthermore, our competitors may also purchase the products directly from our suppliers or other retailers in Australia, the U.S. or other countries and offer these products for sale in Hong Kong at a lower price. As a result, our sale of these products would be adversely affected. We cannot assure that we will be able to compete against these parallel-imported products.

We operate in a regulated industry, any changes in existing laws and regulations may affect our business operations

The skincare and cosmetics industry and health supplement products industry, which our Group is principally engaged in, are regulated by various laws and regulations in Hong Kong, for example, the Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong); the Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong); the Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong); the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong); the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong); the Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong); the Competition Ordinance (Chapter 619 of the Laws of Hong Kong); and the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong). We are also subject to the corresponding sub-legislations and regulations under the above ordinances.

In compliance with the relevant legislations and regulations, our Group is required to obtain the necessary licences, certificates or registration for the operation of our business. Such licences and certificates may contain provisional requirements on the storage, labelling, advertising and importation of some of our products. For further details, please refer to the section headed “Regulatory overview” in this prospectus.

Some of the laws and regulations mentioned above are subject to interpretation or amendments from time to time. Therefore, we cannot assure you that, for the implementation of our business plans and the introduction of any new product, we will be able to obtain all the necessary registrations, certificates and/or licences. Any failure to comply with the above laws and regulations may give rise to fines, administrative penalties and/or prosecution against us, which may adversely affect our reputation, financial condition or results of operation.

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

An outbreak of avian flu, severe acute respiratory syndrome or any epidemic, an increase in the severity of swine flu or the occurrence of any natural disaster, which may lead to a 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, employees, markets, customers and suppliers, any of which could materially impact our Group’s sales power, the supply of our products, overall results of operations and financial condition. Overall, any occurrence of epidemics, acts of war, terrorist attacks or natural disasters may cause our Group’s business to suffer in ways that our Group cannot predict.

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RISKS RELATING TO THE SHARE OFFER AND SHARE PERFORMANCE

There has been no prior public market for the Shares and an active trading market may not develop

Prior to the Share Offer, there has not been a public market for the Shares. While our Company has applied to list and deal in the Shares on GEM, there is no assurance that an active or liquid trading market will develop or be sustained. The Offer Price will be determined through negotiations between our Company and our Sole Bookrunner, and it may not necessarily be indicative of the market price of the Shares after the completion of the Share Offer.

There may be limited liquidity in our Shares and volatility in the price of our Shares on GEM

Our Shares have not been traded in any open market prior to the completion of the Share Offer. The Offer Price may not serve as an indicator of the price of our Shares traded on GEM in the future. There is no assurance that an active trading market for our Shares will develop upon the Listing or if it does develop, that it may be sustained for any period of time after the Listing. Upon the Listing, the transaction volume and market price of our Shares may be affected by various factors, including the income, profitability and cash flow of our Group, announcement of new products and/or investment plans, technology advancements, change of our senior management personnel, strategic alliance and/or acquisition, transaction volume of our Shares, development of GEM, general economic conditions and other factors. All such factors may result in significant fluctuations in the market price and/or transaction volume of our Shares. There is no assurance that such changes will not occur.

Issue of new Shares under the Share Option Scheme will have a dilution effect and may affect our profitability

We have conditionally adopted the Share Option Scheme but no option has been or will be granted thereunder prior to the Listing Date. Any exercise of the options to be granted under the Share Option Scheme in the future will result in a dilution in the shareholding of our Shareholders and may result in a dilution in the earnings per Share and net asset value per Share. Under the HKFRS, the costs of share options to be granted under the Share Option Scheme will be charged to our Company's combined statement of profit or loss and other comprehensive income over the vesting period by reference to the fair value as at the date of grant of the share options. As a result, our profitability and financial results may be adversely affected.

Investors may experience dilution if we issue additional Shares in future

We may find opportunities to grow through acquisitions that cannot be anticipated at this juncture. Under such circumstances, secondary issue(s) of securities after the Listing may be necessary to raise the required capital to capture these growth opportunities. If additional funds are raised by means of issuing new equity securities in the future to new and/or existing Shareholders after the Listing, such new Shares may be priced at a discount to the then prevailing market price. Inevitably, existing Shareholders if not being offered an opportunity to participate, their shareholding interest in our Company will be diluted. Furthermore, if our Company fails to utilise the additional funds to generate the expected earnings, this could adversely affect the financial results of our Group and in turn exerts pressure on the market price of our Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

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Future sales of our Shares or major divestment of our Shares by our Controlling Shareholders or substantial shareholders could adversely affect our Share price

The sales of a significant number of Shares in the public market after the Share Offer, or the perception that these sales may occur, could adversely affect the market price of our Shares. Except as otherwise described in the section headed “Underwriting” in this prospectus and the restrictions set out by the GEM Listing Rules, there are no restrictions imposed on our Controlling Shareholders or substantial shareholders to dispose of their shareholdings. Any major disposal of Shares by any of our Controlling Shareholders or substantial shareholders may cause the market price of our Shares to fall. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price our Directors deem appropriate, thereby limiting our ability to raise capital.

Our Controlling Shareholder may take actions that are not in, or may conflict with, public Shareholders’ best interests

Our Controlling Shareholder will control the exercise of 75% voting rights in the general meeting of our Company immediately after the Listing and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued upon the exercise of options that may be granted under the Share Option Scheme). Therefore, our Controlling Shareholder will continue to be able to exercise controlling influence over our business through their ability to take actions which do not require the approval of independent Shareholders. As such, our Controlling Shareholder has substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors, timing and amount of dividends, if any, and other significant corporate actions. In the case where the interest of our Controlling Shareholder conflicts with other Shareholders, or if our Controlling Shareholder chooses to cause us to pursue objectives that would conflict with the interest of other Shareholders, such Shareholders could be left in a disadvantageous position by such actions caused by our Controlling Shareholder and the price of our Shares could be adversely affected.

Due to the time lag between pricing and trading the Shares, there is a risk that the price of the Shares may fall before trading begins

Trading of the Shares on GEM will not commence until the Listing Date. During this period, investors may not be able to sell or otherwise deal in the Shares. Accordingly, Shareholders are subject to the risk that the price of the Shares could fall before trading begins resulting from adverse market conditions or other adverse developments that could occur between the time of sale and the time trading of the Shares begins.

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

We cannot guarantee the accuracy of information derived from statistics and facts from official sources in this prospectus as it has not been independently verified

This prospectus includes certain statistics and facts that have been extracted from official sources and publications. We believe that the sources of these statistics and facts are appropriate and have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been

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independently verified by us, the Sole Sponsor, the Underwriters, any of their respective directors or any other party involved in the Listing and therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

You should read this entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles or media regarding us or the Share Offer

There may be press and media coverage regarding us or the Share Offer, which may include certain events, financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any other information not contained in this prospectus. We do not accept any responsibility for any such press or media coverage and we make no representation as to the accuracy, 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 responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to subscribe for the Shares, you should rely only on the financial, operational and other information included in this prospectus.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties and could prove inaccurate

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should” or “will” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although we believe the assumptions on which the forward-looking statements based on are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed “Forward-looking statements” in this prospectus for further details.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The following information is provided for guidance only. Prospective applicants for the 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 should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable laws in the countries of their respective citizenship, residence and domicile.

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 (WUMP) Ordinance, Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information about 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; there are no other matters the omission of which would make any statement in this prospectus misleading; and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Underwriters, any of their respective directors, officers, agents, employees, affiliates and/or representatives or any other person or parties involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus, and the procedures for applying for 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.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer. For applicants in the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer. The listing of, and permission to deal in, the Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Share Offer is managed by the Sole Bookrunner. The Public Offer is fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement. The Placing is expected to be fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

RESTRICTIONS ON SALES OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to confirm, or by his or her acquisition of Offer Shares be deemed to confirm, that he or she is aware of the restrictions on the offer of the Offer Shares described in this prospectus and that he or she is not acquiring, and has not been offered, any such shares in circumstance that contravenes any such restrictions.

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms. Accordingly, this prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by relevant regulatory authorities as an exemption therefrom.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Underwriters, any of their respective directors or any other persons or parties involved in the Placing.

Prospective subscribers for the 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.

STRUCTURE OF THE SHARE OFFER

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

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue and upon the exercise of any options which may be granted under the Share Option Scheme.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Under section 44B(1) of the Companies (WUMP) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the application lists or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

The Shares are freely transferable. Only Shares registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval of 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 Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

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.

SHARE REGISTRAR AND STAMP DUTY

Our Company’s principal share register will be maintained by our Company’s principal registrar and transfer agent, Eterra Trust (Cayman) Limited, in the Cayman Islands. Our Company’s Hong Kong branch register of members will be maintained by our Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, in Hong Kong.

All the Shares in issue will be registered in the Hong Kong branch register of members of our Company maintained in Hong Kong in order to enable them to be traded on GEM. 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 the branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Unless the Company determines otherwise, dividends payable in Hong Kong dollar in respect of the Shares will be paid to the Shareholders listed on the Company's Hong Kong branch register of members to be maintained in Hong Kong by cheque sent, by ordinary post, at the Shareholders' risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder in accordance with the Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, our Shares. It is emphasised that none of the Company, the Directors, the Sole Sponsor, the Sole Bookrunner, the Underwriters, their respective directors, agents or advisers or any other persons involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchasing of, disposal of, holding of or dealing in, the Shares or exercising their rights thereunder.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese version of this prospectus, the English version of 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 translation for your reference only.

COMMENCEMENT OF DEALINGS IN THE SHARES AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Monday, 12 February 2018.

Shares will be traded in board lots of 10,000 Shares each and are fully transferable.

The GEM stock code for the Shares is 8473.

The Company will not issue any temporary document of title.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality

Executive Directors

Ms. Yuen Mi Ming Erica (袁彌明)	4A, Winfield Garden 36 Shan Kwong Road Happy Valley Hong Kong	Chinese

Ms. Yuen Mimi Mi Wahng (袁彌望)	Flat A, 6th Floor Tower 4, Lakeview Garden 21 Yau On Street Shatin New Territories Hong Kong	Chinese

Non-executive Directors

Mr. Cheung Siu Hon Ronald (張肇漢)	Flat A, 6th Floor Tower 4, Lakeview Garden 21 Yau On Street Shatin New Territories Hong Kong	Chinese

Mr. Lam Yue Yeung Anthony (林雨陽)	4A, Winfield Garden 36 Shan Kwong Road Happy Valley Hong Kong	Chinese

Independent non-executive Directors

Ms. Chan Sze Lai Celine (陳思例)	5B, 20 Kennedy Road Mid-Levels Hong Kong	Canadian

Ms. Tsang Wing Yee (曾詠儀)	4C, Moon Fair Mansion 11 Shiu Fai Terrace Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
Ms. Shum Wai Sze (沈慧施)	Flat B, 15/F Block B, Hong Ning House 17 Po Yan Street Tung Fai Gardens Sheung Wan Hong Kong	Chinese

For further details on the profile and background of our Directors, please refer to the paragraph headed “Directors, senior management and employees – Directors” in this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	Kingston Corporate Finance Limited Suite 2801, 28th Floor One International Finance Centre 1 Harbour View Street Central Hong Kong

Sole Bookrunner and Sole Lead Manager	Kingston Securities Limited Suite 2801, 28th Floor One International Finance Centre 1 Harbour View Street Central Hong Kong

Co-Lead Manager	Quasar Securities Co., Limited Unit A, 12/F Harbour Commercial Building 122-124 Connaught Road Central Hong Kong

Co-Managers	Freeman Securities Limited 38/F., BOC Tower 1 Garden Road, Central Hong Kong
	Long Asia Securities Limited Unit A, 23/F The Wellington, 198 Wellington Street Sheung Wan Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Opus Capital Limited

18/F, Fung House
19-20 Connaught Road Central
Central
Hong Kong

Legal advisers to the Company

As to Hong Kong law:

TC & Co.

Units 2201-3
22nd Floor
Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

*As to Hong Kong law in respect of
products related matters:*

Mr. Poon Jackson Chin Ping

Barrister-at-law
15/F., Dina House
11 Duddell Street
Central
Hong Kong

As to PRC law:

DeHeng Law Offices (Shenzhen)

11/F Section B
Anlian Plaza
No. 4018 Jintian Road
Futian District
Shenzhen

As to Cayman Islands law:

Appleby

2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

**Legal advisers to the Sole Sponsor
and the Underwriters**

As to Hong Kong law:

Hastings & Co.

5th Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Auditors and reporting accountants

Deloitte Touche Tohmatsu

Certified Public Accountants

35/F, One Pacific Place
88 Queensway
Hong Kong

Industry consultant

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

Room 1018, Tower B
No.500 Yunjin Road
Xuhui District
Shanghai, PRC

Compliance adviser

Kingston Corporate Finance Limited

Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters, head office and principal place of business in Hong Kong	Room 1622, 16th Floor Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Company's website address	www.mimingmart.com <i>(Note: information on this website does not form part of this prospectus)</i>
Company secretary	Mr. Mak Yau Kwan, <i>HKICPA</i>
Authorised representatives (for the purpose of the GEM Listing Rules)	Ms. Yuen Mi Ming Erica 4A, Winfield Garden 36 Shan Kwong Road Happy Valley Hong Kong Ms. Yuen Mimi Mi Wahng Flat A, 6th Floor Tower 4, Lakeview Garden 21 Yau On Street Shatin New Territories Hong Kong
Compliance officer	Ms. Yuen Mimi Mi Wahng Flat A, 6th Floor Tower 4, Lakeview Garden 21 Yau On Street Shatin New Territories Hong Kong
Receiving Bank	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road Hong Kong
Audit Committee	Ms. Tsang Wing Yee (<i>Chairlady</i>) Ms. Chan Sze Lai Celine Ms. Shum Wai Sze

CORPORATE INFORMATION

Remuneration Committee	Ms. Chan Sze Lai Celine (<i>Chairlady</i>) Ms. Yuen Mi Ming Erica Ms. Shum Wai Sze
Nomination Committee	Ms. Yuen Mi Ming Erica (<i>Chairlady</i>) Ms. Chan Sze Lai Celine Ms. Shum Wai Sze
Cayman Islands principal share registrar and transfer office	Estera Trust (Cayman) Limited P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal banks	The Hong Kong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Chong Hing Bank Limited Ground Floor, Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information is derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner and the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives or any other person involved in the Share Offer. Neither our Group, the Sole Sponsor, the Sole Bookrunner and the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives nor any other person involved in the Share Offer make any representation as to the accuracy, completeness or fairness of such information from official government publications.

The information extracted from the commissioned report from Frost & Sullivan reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to F&S Report should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information extracted from the commissioned report from Frost & Sullivan are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors confirm that after taking reasonable case, there is no adverse change in the market information since that the date of the F&S Report.

SOURCE OF INFORMATION

Our Group engaged Frost & Sullivan to conduct an independent assessment of Hong Kong skincare and cosmetics industry and has agreed to pay a fee of approximately HK\$880,000 for the F&S Report, which our Directors consider that such fee reflects market rates.

Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training.

ASSUMPTIONS ADOPTED IN THE F&S REPORT

In compiling and preparing the F&S 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, which involved discussing the status of the industry with leading industry participants and industry experts; and (ii) secondary research, which involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

The projected total market size was obtained from historical data analysis plotted against macroeconomic data as well as related industry specific drivers. The F&S Report was compiled based on the below assumptions:

- Hong Kong's economy is likely to maintain steady growth in the next decade;
- Hong Kong's social, economic and political environment is likely to remain stable in the forecast period;
- Market drivers include Hong Kong's stable increasing GDP in the next several years forecasted by International Monetary Fund (IMF), emerging retailing channels, product innovation, etc. is likely to drive the future growth of Hong Kong's skincare and cosmetics market.

INDUSTRY OVERVIEW

EXCHANGE RATE OF AUSTRALIAN DOLLAR (HONG KONG)

Exchange Rate of Australian Dollar against Hong Kong Dollar, April 2014 - December 2017



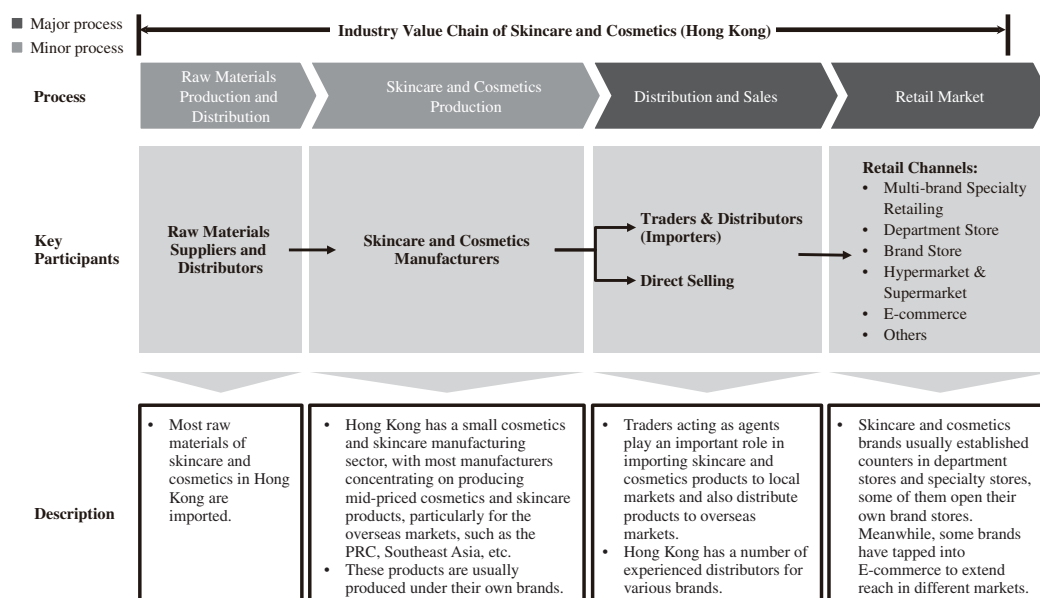
Source: Frost & Sullivan

The exchange rate of Australian dollar against Hong Kong dollar depreciated from approximately 7.24 in August 2014 to approximately 5.90 in March 2015, and fluctuated thereafter between approximately 5.35 to 6.34 throughout the period up to and ending at approximately 6.10 as at 29 December 2017. The exchange rate of the Australian Dollar against Hong Kong Dollar is forecast to decrease slightly in 2018 as the Economist Intelligence Unit expects Australian Dollar to depreciate against United States Dollar as commodity prices lose momentum and US interest rates increase.

However, the retail prices of the products imported from Australia maintained at a stable level since retailers are not focused on adjusting the prices as consumers of Australian skincare and cosmetic products show a high brand loyalty, focusing on the qualities of the products rather than the prices.

HONG KONG'S SKINCARE AND COSMETICS MARKET OVERVIEW

Industry Value Chain



Source: Frost & Sullivan

INDUSTRY OVERVIEW

The retail market of skincare and cosmetics products in Hong Kong has long been supported by tourists, especially those from the PRC. In terms of retail value, Hong Kong's skincare and cosmetics market increased from approximately HK\$25.9 billion in 2012 to approximately HK\$33.1 billion in 2016. The retail value refers to the amount of money paid by end consumers to purchase the products. However, the retail value of the skincare and cosmetics market in Hong Kong dropped by approximately 3.6% and 4.9% in 2015 and 2016, respectively, which was primarily due to a general slowdown of mainland Chinese tourist arrivals caused by, among other, continuous strengthening of US dollar against RMB and changes in Hong Kong Government policies on visa for Shenzhen citizens.

In the following years, it is expected that the market is likely to recover gradually due to increasing purchase by local residents, and introduction of popular new products. Since the Hong Kong Government has initiated a series of projects to attract visitors and enhance the attractiveness of Hong Kong as a tourism destination, it is expected that the retail value of skincare and cosmetics market in Hong Kong is likely to increase accordingly and is expected to grow from approximately HK\$33.1 billion in 2016 to approximately HK\$42.2 billion in 2021, representing a five year CAGR of approximately 5.0% from 2016 to 2021.

In terms of retail value, the skincare and cosmetics market has outperformed the overall retail market in Hong Kong in 2016. According to the statistics announced by the Hong Kong Government ("the Report on Monthly Survey of Retail Sales"), the retail sales value of the category of "medicines and cosmetics" (including retail outlets selling cosmetics, skincare and personal care products, medicines and health supplements) for 2016 decreased slightly by approximately 0.1% as compared with the previous year, while the total retail sales value decreased by approximately 8.1% compared with the previous year.

Visitors' purchase took approximately 77.6% of Hong Kong's skincare and cosmetics market in 2016. Although the retail value generated from visitors increased at a CAGR of approximately 6.5% from 2012 to 2016, such growth rate is expected to slow down to a CAGR of approximately 4.8% from 2016 to 2021 due to the slower growth of the tourism industry. On the contrary, the retail value generated from local residents grew from approximately HK\$5.9 billion in 2012 to approximately HK\$7.4 billion in 2016, representing a CAGR of approximately 5.9% and is expected to grow at a CAGR of approximately 5.4%, increasing from approximately HK\$7.4 billion in 2016 to approximately HK\$9.6 billion in 2021.

Retail Value Breakdown by Price of Skincare and Cosmetics Market

In terms of the retail price of skincare and cosmetics products, the market in Hong Kong can be segmented into premium (retail price over HK\$800 per set/piece), mid to high-end (retail price between HK\$200 to HK\$800 per set/piece), and mass market (retail price under HK\$200 per set/piece).

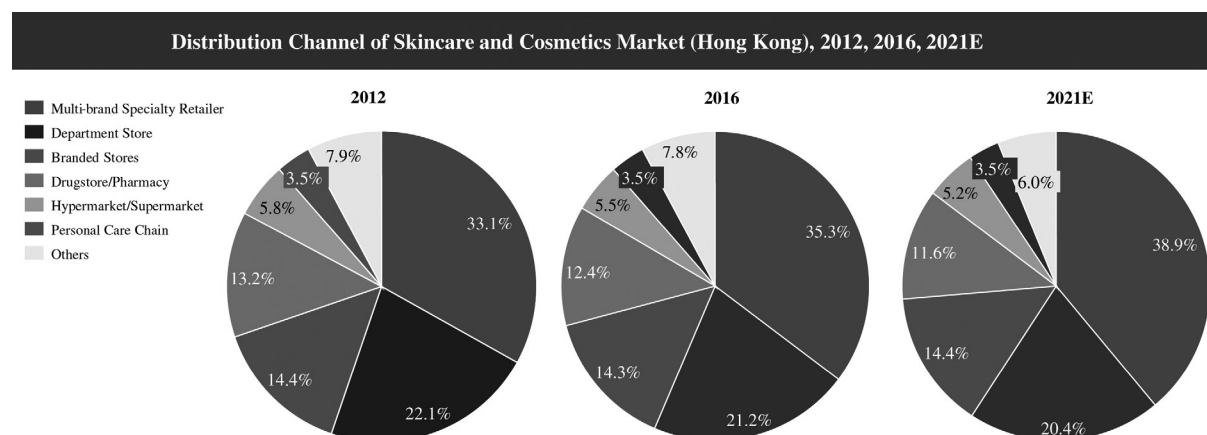
The premium and mid to high-end skincare and cosmetic markets in Hong Kong are dominated by foreign brands while leading local brands generally compete in mass market. Among Hong Kong's overall skincare and cosmetics market in 2016, premium, mid to high-end, and mass market contributed approximately 22.0%, 35.1%, and 42.9%, respectively. The mass and mid to high-end markets are expected to increase from approximately HK\$14.2 billion to approximately HK\$18.8 billion and approximately HK\$11.6 billion to approximately HK\$15.0 billion at a CAGR of approximately 5.7% and 5.2% from 2016 to 2021 respectively.

Consumer demand has rapidly shifted towards mass products or mid to high end products, which drives the increasing proportion of mass market in the overall market. The premium, mid to high-end, and mass market is likely to contribute approximately 20.0%, approximately 35.5%, and approximately 44.5% in 2021 to the retail value of the skincare and cosmetics market, respectively.

INDUSTRY OVERVIEW

HONG KONG'S SKINCARE AND COSMETICS MULTI-BRAND SPECIALTY RETAILERS MARKET OVERVIEW

Hong Kong's Skincare and Cosmetics Market Size Breakdown by Distribution Channel in Terms of Retail Value



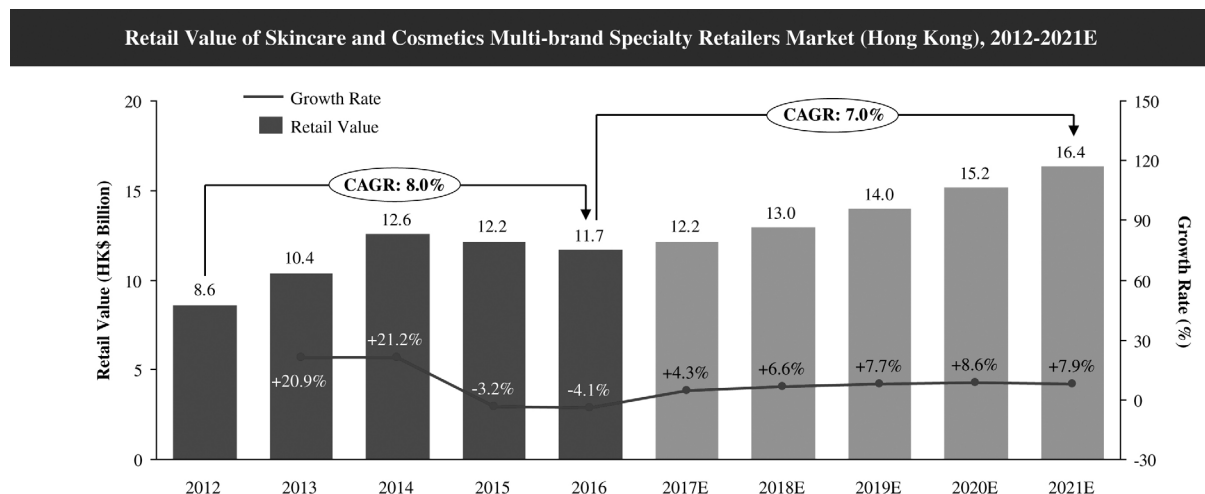
Source: Frost & Sullivan

Hong Kong's skincare and cosmetics multi-brand specialty retailers market, being a sub-segment of Hong Kong's skincare and cosmetics market, plays an important role in Hong Kong market, and has developed rapidly during the past five years.

Multi-brand specialty stores are one of the major retail channels for skincare and cosmetic products in Hong Kong, which cater to the market by offering a large variety of products from dozens to hundreds of brands around the world, covering a wide spectrum of products from skincare, make-up, personal care to health food, and stretching across a broad price range from mass to high-end markets for customers' one-stop selection, which meets the changing needs of targeted customers. Its leading players in this channel normally operate a physical network of retail store chains, as well as online platforms.

INDUSTRY OVERVIEW

Retail Value of Skincare and Cosmetics Multi-brand Specialty Retailers Market (Hong Kong)



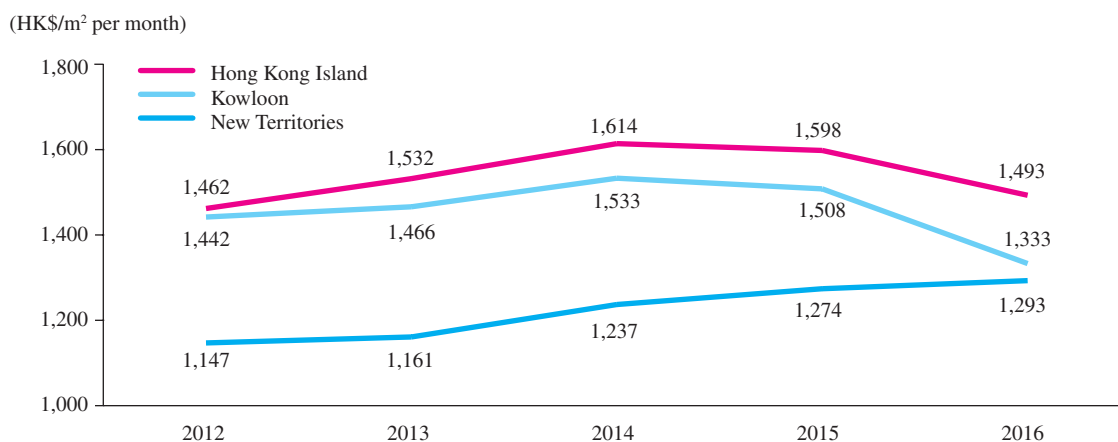
Source: Frost & Sullivan

Hong Kong skincare and cosmetics multi-brand specialty retailers market grew rapidly from 2012 to 2014, rising from approximately HK\$8.6 billion to approximately HK\$12.6 billion. In 2015 and 2016, influenced by the weak tourism industry, this market, which accounted for approximately 35.3% of the total retail value of Hong Kong's skincare and cosmetics market in 2016, dropped slightly. The CAGR from 2012 to 2016 was approximately 8.0%. In 2015 and 2016, players mainly targeting tourists witnessed a drop, whereas those multi-brand specialty retailers who tend to target local residents were not influenced much by the weak tourism industry. The market is forecast to grow at a CAGR of approximately 7.0% from approximately HK\$11.7 billion in 2016 to approximately HK\$16.4 billion in 2021 due to the following reasons:-

1. *The increasing purchasing power of local residents.* The nominal GDP per capita in Hong Kong had been growing in line with the development of the macro economy over the years from 2012 to 2016, increasing from approximately HK\$284,069 in 2012 to approximately HK\$337,875 in 2016, realising a CAGR of approximately 4.4%. Along with the increase in income, household expenditure on cosmetics and personal care products had been increasing accordingly, growing at a CAGR of approximately 4.5% from 2012 to 2016. The retail value of skincare and cosmetics market generated from local residents showed a stable upward trend over the past several years, growing at a CAGR of approximately 5.9% from 2012 to 2016. It is estimated that the local market will continue to grow in the coming years from 2016 to 2021;
2. *Recovery of Hong Kong tourism industry.* Hong Kong's tourism industry is showing signs of recovery with an increase of approximately 2.2% in the first nine months of 2017 compared to the same period in 2016. The number of Mainland Chinese tourists increased by approximately 2.5% in the first nine months of 2017 compared to the same period in 2016. The recovery of Hong Kong's tourism industry is likely to stimulate the skincare and cosmetics multi-brand specialty retailers market; and
3. *Consumers' growing preference for multi-brand specialty retailers in Hong Kong.* The proportion of multi-brand specialty retailers in the skincare and cosmetics market in terms of retail value grew steadily from approximately 33.1% in 2012 to approximately 35.3% in 2016. It is forecasted that the proportion will grow further and reach approximately 38.9% in 2021 due to the wider range of products being offered at multi-brand specialty retail stores and consumers' increasing demand for convenience.

INDUSTRY OVERVIEW

Average Rents of Private Retail (Hong Kong)

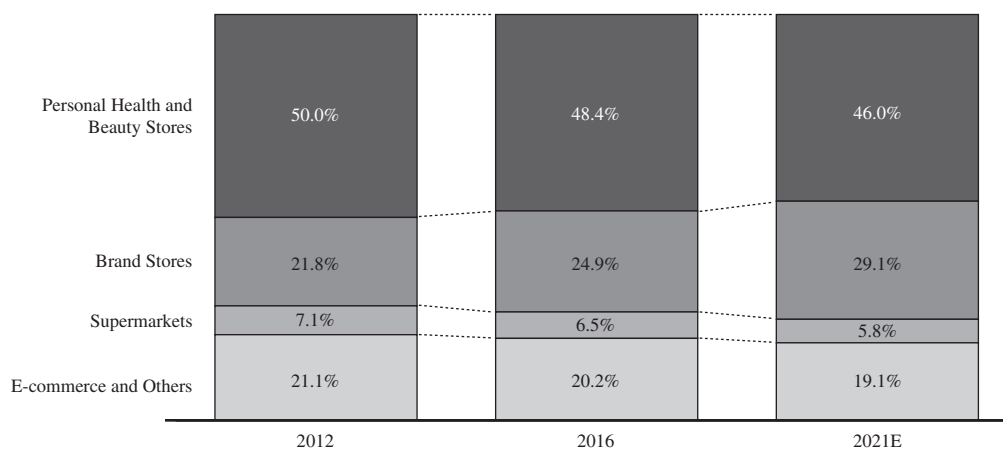


Source: Census and Statistics Department of Hong Kong

The average rent of private retail in Hong Kong Island and Kowloon showed steady growth from 2012 to 2014. However, the rents started to decline since 2015, and realised CAGR of approximately 0.5% and -2.0%, respectively, from 2012 to 2016. On the other hand, the rents in New Territories increased gradually with a CAGR of approximately 3.1% from 2012 to 2016.

HONG KONG'S HEALTH SUPPLEMENTS MARKET OVERVIEW

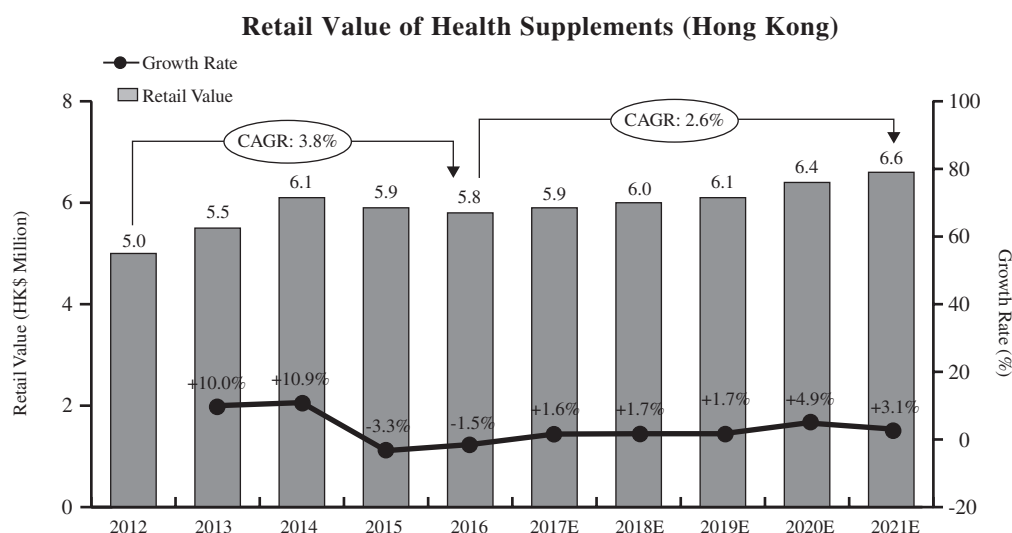
Market Size Breakdown by Distribution Channel in Terms of Retail Value



Personal health and beauty stores, brand stores and supermarkets are the three major distribution channels for health supplements in Hong Kong. Personal health and beauty stores refer to drug store chains, personal care chains, and multi-brand specialty stores which sell various brands of health supplements. Brand stores refer to retail outlets which solely sell health supplements for one brand. Supermarkets are another main channel for selling health supplements. Other channels include, among others, e-commerce, direct sales, phone orders and beauty centres. It is an industry practice for health supplement brands to cooperate with selected personal health and beauty stores as their key accounts. Depending on individual corporate strategy, some health supplement brands may choose to cooperate with either one or multiple personal health and beauty stores.

INDUSTRY OVERVIEW

Personal health and beauty stores have traditionally been the largest distributional channel in Hong Kong. However, with the emergence and expansion of other distribution channels such as brand stores, its market share shrank from approximately 50.0% in 2012 to approximately 48.4% in 2016, and is likely to further drop to approximately 46.0% in 2021. Health supplement brands are becoming more interested in opening brand stores. Market share for brand stores has increased from approximately 21.8% in 2012 to approximately 24.9% in 2016, and is likely to reach approximately 29.1% in 2021. With the development of flagship stores and continuous marketing investments by large branded companies, it is likely that small-scale health supplements providers will be squeezed out of the market. Therefore, the market is likely to become more consolidated in the next several years.



Source: Frost & Sullivan

In Hong Kong, the majority of health supplements are imported products. The retail sales for health supplements in Hong Kong increased from approximately HK\$5.0 billion in 2012 to approximately HK\$5.8 billion in 2016, with a CAGR of approximately 3.8%. Between 2012 and 2014, retail sales for health supplements was on an upward trend. In 2015 and 2016, however, the Hong Kong's tourism market declined due to the decreasing exchange rate of RMB with Hong Kong dollar and tourists' diversifying selections of the outbound tourism destinations such as Japan and Korea. Thus, tourist expenditure on health supplements decrease accordingly, resulting in the retail sales for health supplements to drop by approximately 3.3% and 1.5% in 2015 and 2016, respectively.

The market is likely to recover gradually in the next five years, with the increase in retail value and a modest recovery of the PRC tourists mainly driven by the purchasing habits of local consumers and the product diversification of Hong Kong's health supplement suppliers. In addition, the distribution channel (especially ecommerce channel) expansion and improvement is likely to accelerate the recovery of Hong Kong's health supplements market. The retail sales for health supplements in Hong Kong are expected to reach approximately HK\$6.6 billion in 2021, representing a CAGR of approximately 2.6% from 2016 to 2021.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE AND COMPETITIVE ADVANTAGES

Competitive landscape of Hong Kong's skincare and cosmetics multi-brand specialty retailers market

Our Group is among the top 10 skincare and cosmetics multi-brand retailers in Hong Kong with market share of approximately 0.7% in terms of revenue in 2016. Different types of skincare and cosmetics multi-brand retailers are defined as follows:

Types of skincare and cosmetics multi-brand specialty retailers in Hong Kong	Major Features	Total Revenue in 2016 (Approximately HK\$ million)	Number of market players as of 2016	Market Share (Approximate)
Large multi-brand specialty retailers	- Total revenue of over HK\$100 million per annum - Total store number of no less than 10 - Target both tourists and local consumers	8,011.0	5	68.5%
Small and medium multi-brand specialty retailers	- Total revenue less than HK\$100 million per annum - Total store number of less than 10 - Mainly target local consumers	3,681.0	Over 50	31.5%

Source: Frost & Sullivan

As of 2016, there were over 50 small and medium multi-brand specialty retailers in Hong Kong, each with a total revenue of less than HK\$100 million per annum and a total store number of less than 10. In terms of retail value, the total small and medium multi-brand specialty retailers together accounted for approximately 31.5% market share of total skincare and cosmetics multi-brand specialty retailers market in Hong Kong in 2016. The top 5 small and medium multi-brand specialty retailers accounted for approximately 3.0% market share in 2016.

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Small and Medium Skincare and Cosmetics Multi-brand Specialty Retailers in terms of Revenue (Hong Kong)

Ranking	Multi-brand Specialty Retailers	Revenue (Approximately HK\$ million)	Market Share (Approximate)	No. of Retail Outlets	Background
1	BEYORG	100.0	0.9%	7	a multi-brand specialty retailer of skincare and cosmetics in Hong Kong and is primarily known for its natural and organic products
2	Our Group	77.7 ^(Note)	0.7%	6	a multi-brand specialty retailer in skincare, cosmetic and health supplement products ranging from mass to premium price segments
3	10/10 HOPE	58.0	0.5%	5	a multi-brand specialty retailer of skincare and cosmetics in Hong Kong and focuses on natural and organic products
4	Angel	57.0	0.5%	6	a subsidiary of a Hong Kong beauty group and focuses on European and American brands
5	Aster	51.5	0.4%	7	a multi-brand specialty retailer of skincare and cosmetics in Hong Kong and focuses on European, American and Korean brands
Top 5 Small and Medium		344.2	3.0%		
Total Small and Medium		3,681.0	31.5%		
Total		11,692.0	100.0%		

Source: Frost & Sullivan

Note: Revenue of our Group in the above table represents revenue generated from our skincare and cosmetic products during the calendar year 2016.

Although small and medium multi-brand specialty retailers in Hong Kong were inferior to leading players in terms of retail network and market penetration, they gradually enhanced brand recognition and image by introducing popular new brands such as natural and organic brands or mid-price and low-price products in order to cater changing preference of customers.

In addition, the small and medium multi-brand specialty retailers in Hong Kong, such as our Group, usually target local consumers rather than tourists as their main target customers. In that case, our Group is less likely to be influenced by the declined Hong Kong tourism market and decrease in the relative purchasing power of the PRC tourists.

CHINESE PURCHASING AGENTS

As a result of the growing recognition and demand for beauty and health products in Hong Kong from PRC consumers, as well as pricing advantages and product diversity available in Hong Kong, PRC purchasing agents who purchase products in Hong Kong and re-distribute or re-sell the products in the

INDUSTRY OVERVIEW

PRC have emerged. Skincare and cosmetics products, together with other products such as infant milk formula, electronic products, jewellery and watches, are popular purchase items amongst PRC purchasing agents.

Sales to these purchasing agents are treated as revenue generated from sales in Hong Kong's skincare and cosmetics market and health supplements market as the transactions between these PRC purchasing agents and the retail stores take place and are completed in Hong Kong.

With respect to re-distribution and/or re-selling of the products on any online media or social network platform or other distribution channels in the PRC by the PRC purchasing agents, such re-distribution and re-selling arrangements may have an impact on the PRC retail market rather than the Hong Kong market. Therefore, the impact of these re-distribution and/or re-selling arrangements undertaken by the PRC purchasing agents on the Hong Kong beauty and health products markets is insignificant.

Brand stores and large multi-brand specialty retailers are major and popular channels from which the PRC purchasing agents make purchases. Small and medium multi-brand specialty retailers, like our Group, which target local residents are less affected by the redistribution and/or re-selling by PRC purchasing agents through parallel trading.

Since most of our Group's products are primarily targeted to be sold to local consumers through our Retail Stores, the impact of any re-distribution or re-selling arrangement on our Group due to redistribution and/or re-selling by PRC purchasing agents is extremely minimal.

As concerns parallel imports from Hong Kong to the PRC, the PRC government's decision to limit Shenzhen residents to visit Hong Kong once a week with effect from April 2015 has restricted parallel imports from Hong Kong to the PRC to a certain extent due to the limited entry permits. Furthermore, the implementation of the new taxation policy for cross-border e-commerce retail imports in the PRC since April 2016 may also potentially reduce purchases of skincare and cosmetics and healthcare products from PRC parallel traders for re-distribution and/or re-selling in the PRC as the new taxation policy offers tax preference to cross-border e-commerce retail importers, while re-distribution and/or re-selling by parallel traders (including re-sellers) are subject to full import duties.

MARKET DRIVERS

Hong Kong's Skincare and Cosmetics Market

Increasing purchasing power. Due to the steady growth of Hong Kong's economy, the purchasing power of Hong Kong citizens increases accordingly, which allows them to spend more on skincare cosmetics than before. The per household expenditure on cosmetics and personal care products in Hong Kong was growing from 2012 to 2016, and reached a CAGR of approximately 4.5%, and is likely to grow at a CAGR of approximately 4.1% from 2016 to 2021, which may further drive the development of Hong Kong's skincare and cosmetics market in the near future.

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Increasing demand for products catering to ingredient-conscious consumers. Consumers nowadays have a higher requirement on the quality of skincare and cosmetics products. Skincare technology goes under constant changes and updates. Products catering to ingredient-conscious consumers are a good fit for the evolving consumer trend. This trend is having an impact on the high-tech sectors of skincare and cosmetics, such as hydration, anti-aging and skin whitening facial care, anti-cellulite and firming body care, etc.

Emerging distribution channels. Consumers traditionally purchase skincare and cosmetics from department stores, brand stores, drugstores and pharmacies. In recent years, they have increasingly been purchasing from specialty retailers and even e-commerce platforms. The increasing penetration of retailing channels is expected to significantly enhance the accessibility of skincare cosmetics products for the general population.

Hong Kong's Skincare and Cosmetics Multi-brand Specialty Retailers Market

Increasing demand for convenience. As the pace of life becomes increasingly rapid in Hong Kong, consumers' demand for convenience also grows.

Burgeoning middle class. Hong Kong's middle class population increases in line with the growing macro economy. The demand for cosmetic and skincare products among middle-class consumers increases.

Growing preference towards high quality and effective products. The multi-brand specialty retailers provide a channel for consumers to access a wider range of products with high quality and effectiveness, especially mass market products that are becoming increasingly popular among young consumers.

Hong Kong's Health Supplements Market

Rising wealth of Hong Kong citizens. Hong Kong has been experiencing a rise in wealth as per capita nominal GDP has increased by a CAGR of approximately 4.4% between 2012 and 2016. This growing trend is likely to be maintained until 2021, as per capita nominal GDP is expected to increase with a CAGR of approximately 3.7% from 2016 to 2021. The positive forecast of the Hong Kong economy is likely to drive a growth in purchasing power in the next several years.

Establishment of new channels. Currently, the majority of health supplements are sold through retail channels in Hong Kong. The channel of brand stores accounted for approximately 24.9% among all the distribution channels in 2016. Looking forward, leading brands are expanding their distribution channels. Some health supplements brands have opened official online stores, or cooperated with leading online platforms to sell their products. This trend is likely to become a key driver for growth in Hong Kong's health supplement market.

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ENTRY BARRIERS

Hong Kong's skincare and cosmetics market

Branding and promotion. Currently, Hong Kong's skincare and cosmetics market is mainly occupied by international brands and some small local brands. In the mid to high-end sectors, the competitive edge of well-branded companies is even more obvious, such as brand positioning, product quality, design, technology, and management. These well-established brands naturally enjoy a more stable consumer base and diversified channel dominance. Therefore, it is very hard for new entrants to compete with current well-known brands in a short period.

Product quality and technology. For the consumers, product quality, safety, effectiveness, and technology are vital in their purchase decision. Brands are also distinguishing between each other on those aspects. It is hard for new entrants to grab market share without an outstanding and exclusive technology that ensures the quality and effectiveness of the products.

Well-established distribution channels. Skincare and cosmetics companies sell products through diversified distribution channels, which help to reach a wider customer base and improve branding. It would take time and capital for newcomers to cultivate sound distribution channels within the industry.

Sufficient capital. New entrants still need to have sufficient capital for promotion and advertisements.

Hong Kong's Skincare and Cosmetics Multi-brand Specialty Retailers Market

Brand building. The Hong Kong skincare and cosmetics market is a mature market. It is not easy for new entrants to establish brand awareness and recognition among consumers in the short term.

Bargaining power. It is important for retailers to establish stable relationships with brand-owners or agents and access products at a low price. Large or well-established retailers generally have stronger bargaining power. It allows them to reduce costs and pass savings onto consumers.

Capital support. When initiating a new business in the industry of multi-brand specialty retailers, a large amount of initial capital is necessary for operating in a durative manner. Moreover, new entrants need to spend a large amount of money on promoting and marketing in order to capture certain market share and achieving certain economies of scale. Thus new entrants are less likely to survive without strong and continual capital support.

Staff training. For multi-brand specialty retailers, quality of service is a key factor that may influence consumers' satisfaction. Staff training costs a lot of time and money. Players in the large segment spend over 100 hours to train a new staff. For new entrants, to hire experienced employees or to establish a perfect training system takes time and is likely to be a barrier.

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Hong Kong's Health Supplements Market

Establishment of distribution channels. Major health supplement companies usually have extensive established channels for product selling. In addition to the usual distribution channels, diversified distribution channels also help to improve branding. It would take time and capital for market newcomers to cultivate sound distribution channels within the industry.

Product quality and functions. The functions of health supplements are what consumers pay most attention to. Each current major market participant has its own specialised lines of products of which the quality and function is recognised by consumers. In addition, standardisation and product quality control are important for health supplement companies. This creates another major barrier for market entry as it would take time and money for new comers to cultivate recognition of the quality and function of their products and establish high standards and quality controls.

FUTURE OUTLOOK

Hong Kong's skincare and cosmetics market

Development of male skincare market. Previously, Hong Kong's male skincare products seemed to be negligible in the overall skincare market. However, in recent years, a number of male skincare brands have emerged with strong market power, which shows their great potential. Many foreign brands have focused on developing this male market including formulating specific marketing strategies, diversifying product segmentation and orientation and others marketing activities. In the future, the male skincare market may be regarded as one of the most potential sub-market in Hong Kong.

The growth of multi-brand specialty channel. Currently, more than half of skincare and cosmetics are sold through department stores and multi-brand specialty stores in Hong Kong. The two channels together accounted for approximately 56.5% of the total retail value in 2016. Thanks to the characteristics such as richer product portfolio, variety of brands, and wider price range, an increasing number of skincare and cosmetics brands are likely to enter into the multi-brand specialty stores to approach an extensive consumer base. Sales through multi-brand specialty retailers are expected to account for approximately 38.9% among all the distribution channels in 2021.

Hong Kong's skincare and cosmetics multi-brand specialty retailers market

Increasing number of products catering to ingredient-conscious consumers. Consumers are becoming more aware of the quality of the products. Both local and overseas consumers therefore prefer to use high quality skincare and cosmetics products catering to ingredient-conscious consumers. In line with consumers' increasing health awareness, the quality and effectiveness of the products are likely to be one of the primary considerations of the multi-brand specialty retailers when choosing merchandise. It is expected that more products catering to ingredient-conscious consumers will be launched in the market in Hong Kong.

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Development of online marketing and ecommerce. Online marketing is becoming an essential part of promotion since consumers can easily get information and be influenced by comments on the internet. Companies are likely to strengthen their marketing on the internet in order to gain higher brand awareness and recognition. In addition, some players that are targeting tourists faced a drop due to the declining tourism industry and are considering to enhancing Online to Offline (O2O) channels and e-commerce to develop overseas markets.

Hong Kong's health supplements market

Steadily increasing market. Hong Kong's health supplements market is likely to maintain its growing trend in the next five years. Increasing purchasing power of Hong Kong citizens and growing health consciousness is likely to drive the market growth. The aging population in Hong Kong, which is a main target customer group of health supplements, is also expected to bring the future growth of the market. So health supplements market is likely to experience a steady increasing market in the following five years.

Market consolidation. Hong Kong's health supplements market is on its mature stage in terms of industry life cycle. At the current stage, there are some mature leading health supplement companies in the market.

With the development of flagship store channels and continuous marketing investments, consumers had paid more attention to brand recognition, and the surviving space of small-scaled health supplements providers is further squeezed. The market is likely to become more consolidated in the next several years.

THREATS AND CHALLENGES

Drop of visitor arrivals. Affected by the weak global economic growth, currency factor and other factors, Hong Kong's tourism industry stopped its continuous growing trend and faced a drop of approximately 4.5% in 2016. Mainland Chinese visitor arrivals, accounting for approximately 75.5% of the overall market, dropped by approximately 6.7% in 2016. The unstable tourism industry strongly influences the multi-brand specialty retailers market, especially those who targeting visitors.

Change of consumers' preferences. Consumers' preferences have changed fast in recent years in Hong Kong. Mid to high-end products and mass products are becoming increasingly popular among consumers in Hong Kong. It is a challenge for the multi-brand specialty retailers to keep up with the latest trends, access distributorship, complete their supply chain and adjust strategies in order to attract more consumers and grab larger market size.

Uncertain retail industry. The retail industry in Hong Kong used to follow an upward trend in the last few years. However, the industry experienced a downturn in 2015 and 2016, which may negatively affect the health supplement market in Hong Kong.

Hong Kong's retail industry will remain uncertain in the next several years due to many factors including the sustainability of tourists number, decrease in the relative purchasing power of the PRC tourists due to depreciation of RMB, etc. The uncertain environment of retail industry is also likely to bring uncertainty to health supplement market in Hong Kong in the next five years.

REGULATORY OVERVIEW

OVERVIEW

During the Track Record Period, the business activities of our Group are principally based in Hong Kong and are therefore principally subject to the relevant laws and regulations in Hong Kong. To the best knowledge and belief of the Directors, save for those incidents of non-compliance set out in the section “Business — Non-compliances” in this prospectus, our Group has complied with the relevant applicable laws and regulations in relation to its business in all material respects for its operations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

HONG KONG

The following sets forth a summary of the material laws and regulations relating to the business operations of our Group in Hong Kong.

Public Health and Municipal Services Ordinance

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

As the business of our Group involves the marketing, sales and distribution of food and health supplements in Hong Kong, our Group is subject to the regulation of the Public Health Ordinance.

Section 50 of the Public Health Ordinance prohibits the manufacturing, advertising and sale in Hong Kong of food or drugs that are injurious to health. Anyone who fails to comply with this section commits an offence which carries a maximum penalty of HK\$10,000 and imprisonment for 3 months.

Section 52 of the Public Health Ordinance provides that, subject to a few defences in section 53 of the same ordinance, if a seller sells to the prejudice of a purchaser any food or drug which is not of the nature, substance or quality of the food or drug demanded by the purchaser, the seller shall be guilty of an offence which carries a maximum penalty of HK\$10,000 and imprisonment for 3 months.

According to section 54 of the Public Health Ordinance, any person who sells or offers for sale any food intended for, but unfit for, human consumption, or any drug intended for use by human but unfit for the purpose, shall be guilty of an offence. The maximum penalty for contravention of section 54 is a fine of HK\$50,000 and imprisonment for 6 months.

Section 61 of the Public Health Ordinance provides that it shall be an offence for any person who gives with any food or drug sold by him/her or displays with any food or drug exposed for sale by him/her any label which falsely describes the food or drug or is calculated to mislead as to its nature, substance or quality. Further, it shall also be an offence if any person publishes or is party to the publication of an advertisement falsely describing any food or drug or is likely to mislead as to the nature, substance or quality of any food or drug. Nonetheless, the offender can rely on warranty as a defence.

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Section 71(2) sets out that if a warranty is given by a person resident outside Hong Kong, it shall only be a defence if the company (i) has sent to the prosecutor a copy of the warranty with a notice stating that he intends to rely on it and specifying the name and address of the person from whom he received it not later than 3 clear days before the date of the hearing; and (ii) has also sent a like notice to that person, the company has to prove that it had taken reasonable steps to ascertain, and did in fact believe in, the accuracy of the statement contained therein.

If charged, the company can send a notice pursuant to section 71 of the Public Health Ordinance to the Department of Health so that it can rely on warranty given by foreign distributor in case of any prosecution by criminal summons pursuant to relevant sections of the Public Health Ordinance.

Sale of Goods Ordinance

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (the “**Sale of Goods Ordinance**”) provides, inter alia, that where a seller sells goods in the course of a business, there is an implied condition that (a) where the goods are purchased by description, the goods must correspond with the description; (b) the goods supplied are of merchantable quality; and (c) the goods must be fit for the purpose for which they are purchased. Otherwise, a buyer has the right to reject defective goods unless he or she has a reasonable opportunity to examine the goods. The Sale of Goods Ordinance provides implied terms for the standard of goods sold by our Group to its customers. The business of our Group involves the marketing, sale and distribution of skincare products, cosmetic products, and food and health supplements, which are subject to the Sale of Goods Ordinance. A breach of the terms may give rise to a civil action for breach of contract by customers. However, no criminal liability arises from a breach of the implied terms.

Consumer Goods Safety Ordinance

The Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) (the “**Consumer Goods Safety Ordinance**”) imposes a duty on manufacturers, importers and suppliers of certain consumer goods to ensure that the consumer goods they supply are safe and for incidental purposes. Our Group’s skincare products and cosmetic products are regulated by the Consumer Goods Safety Ordinance and the Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong) (the “**Consumer Goods Safety Regulation**”).

Section 4(1) of the Consumer Goods Safety Ordinance requires consumer goods to be reasonably safe having regard to all of the circumstances including the manner in which, and the purpose for which the products are presented, promoted or marketed, the use of any mark in relation to the products, instructions and warnings given for the keeping or use of the products, reasonable safety standards published by a standards institute or other similar bodies and the existence of any reasonable means to make the products safer. According to section 2(1) of the Consumer Goods Safety Regulation, where consumer goods on their packages are marked with, or where any labels affixed to or any documents enclosed in their packages contain, any warning or caution regarding the safe keeping, use, consumption or disposal, such warning or caution shall be in both the English and the Chinese languages. Such warnings and cautions, as required by section 2(2) of the Consumer Goods Safety Regulation, shall be legible and be placed in a conspicuous position on (a) the consumer goods; (b) any package of the consumer goods; (c) a label securely affixed to the package; or (d) a document enclosed in the package.

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Food Safety Ordinance

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

As the business of our Group involves the marketing, sales and distribution of food and health supplements, our Group is subject to the regulations of the Food Safety Ordinance.

Sections 4 and 5 of the Food Safety Ordinance require any person who carries on a food importation business or food distribution business to register with the Food and Environmental Hygiene Department as a food importer or food distributor. Any person who does not register but carries on a food importation or distribution business, without reasonable excuse, commits an offence and is liable to a maximum fine of HK\$50,000 and imprisonment for 6 months. Our Group has registered as a food importer or food distributor under the Food Safety Ordinance so that our Group may import food and health supplements into Hong Kong.

Food and Drugs (Composition and Labelling) Regulations

Food and Drugs (Composition and Labelling) Regulations (Chapter 132W of the Laws of Hong Kong) (the “**Food and Drugs Regulations**”), which are under the Public Health Ordinance, contain provisions for the advertising and labelling of food.

Regulation 3 of the Food and Drugs Regulations provides that the standards of composition of the foods and drugs specified in Schedule 1 of the Food and Drugs Regulations shall be up to the standards as specified in that schedule. The applicability of individual standards specified thereunder depends on whether the individual product in question is drug within the Public Health Ordinance.

Standard 1 under Part I of the said Schedule provides that drugs and ingredients and component parts of drugs shall conform to the corresponding standards specified in the British Pharmacopoeia or British Pharmacopoeia Codex. This is applicable to any products that in law should be regarded as pharmaceutical products and medicines.

Section 3 of the Pharmacopoeia Ordinance (Chapter 308 of the Laws of Hong Kong) deems any enactment relating to all pharmacopoeias to be referring to the pharmacopoeia approved by the Medical Council of Hong Kong under section 2 of the Pharmacopoeia Ordinance.

Pursuant to Regulation 5 of the Food and Drugs Regulations, any person who advertises for sale, sells or manufactures for sale any food or drug which does not conform to the relevant requirements as to composition prescribed in Schedule 1 to the Food and Drugs Regulations commits an offence and is liable to a fine of HK\$50,000 and imprisonment for 6 months.

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Regulation 4A of the Food and Drugs Regulations requires all prepackaged food and health supplements sold by our Group (except for those listed in Schedule 4 to the Food and Drugs Regulations) to be marked and labeled in the manner prescribed in Schedule 3 to the Food and Drugs Regulations. Schedule 3 contains labeling requirements in respect of stating the product's name or designation, list of ingredients, "best before" or "use by" date, special conditions for storage or instruction for use, name and address of manufacturer or packer, and count, weight or volume. Schedule 3 also includes requirements on the appropriate language or languages for marking or labelling prepackaged food. Contravention of those requirements may result in a conviction carrying a maximum penalty of HK\$50,000 and imprisonment for 6 months.

In accordance with Regulation 4B of the Food and Drugs Regulations, generally prepackaged food and health supplements sold by our Group should be marked or labeled with its energy value and nutrient content in the manner prescribed in Part 1 of Schedule 5 to the Food and Drugs Regulations, and nutrition claims, if any, made on the label of the product or in any advertisement for the product should comply with Part 2 of Schedule 5 to the Food and Drugs Regulations. Contravention of those requirements may result in a conviction carrying a maximum penalty of HK\$50,000 and imprisonment for 6 months.

Pharmacy and Poisons Ordinance

Section 2 of the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong) (the "**Pharmacy and Poisons Ordinance**") defines "pharmaceutical products" and "medicines" as any substance as or combination of substances:

- (a) presented as having properties for treating or preventing disease in human beings or animals;
or
- (b) that may be used in, or administered to, human beings or animals, either with a view to:
 - i. restoring, correcting or modifying physiological functions by exerting a pharmacological, immunological or metabolic action; or
 - ii. making a medical diagnosis.

Sections 21 and 26 of the Pharmacy and Poisons Ordinance regulate the sale of certain poisons as listed in the Poisons List the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong).

Section 28A of the Pharmacy and Poisons Ordinance prohibits any person other than a registered one from carrying on business as importer or exporter of pharmaceutical products and medicines.

It is unlikely that our products will be subject to the regulation of the Pharmacy and Poisons Ordinance.

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Pharmacy and Poisons Regulations

Regulation 36 of the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong) (the “**Pharmacy and Poisons Regulations**”) provides that no person shall sell, offer for sale or distribute or possess for the purposes of sale, distribution or other use any pharmaceutical product or substance unless the product or substance is registered under Pharmacy and Poisons Regulations. Regulation 36C defines “pharmaceutical products” and “substance” to have the meaning assigned to “pharmaceutical product” and “medicine” in the Pharmacy and Poisons Ordinance.

Any person who contravenes regulation 36 of the Pharmacy and Poisons Regulations commits an offence and is liable to a maximum fine of HK\$100,000 and imprisonment for 2 years. It is unlikely that our products will be subject to the regulation of the Pharmacy and Poisons Regulations.

Food Business Regulation

Regulation 31 of the Food Business Regulation (Chapter 132X of the Laws of Hong Kong) (the “**Food Business Regulation**”) provides that except under and in accordance with a licence granted under the Food Business Regulation, no person shall carry on or cause or permit or suffer to be carried on any food factory. “Food factory” is defined as any food business which involves the preparation of food for sale for human consumption off the premises. Since our Group has no preparation of food within the meaning of the Food Business Regulation, a food factory licence is not required for our Group.

Sweeteners in Food Regulations

Regulation 3(2) of the Sweeteners in Food Regulations (Chapter 132U of the Laws of Hong Kong) (the “**Sweeteners in Food Regulations**”) prohibits the sale, consignment, delivery and import of any food intended for human consumption containing any sweetener which is not specified in the Schedule thereto. Regulation 2 defines “sweetener” as any chemical compound which is sweet to the taste, but does not include any sugars or other carbohydrates or polyhydric alcohols. None of our products contains any sweetener not specified in the said Schedule.

Food Adulteration (Metallic Contamination) Regulations

Regulation 3 of the Food Adulteration (Metallic Contamination) Regulations (Chapter 132V of the Laws of Hong Kong) (the “**Food Adulteration (Metallic Contamination) Regulations**”) provides that no person shall import, consign, deliver, manufacture or sell, for human consumption:

- (a) any food of a description specified in Column B of the First Schedule which contains any metal specified opposite thereto in Column A of that Schedule unless such metal is naturally present in such food in a concentration not greater than that specified opposite thereto in Column C of that Schedule; or
- (b) any food of a description specified in Column B of the Second Schedule which contains any metal specified opposite thereto in Column A in greater concentration than is specified opposite thereto in Column C; or

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- (c) any food containing any metal in such amount as to be dangerous or prejudicial to health.

Of particular relevance to food products in the said Second Schedule are those entries of antimony, arsenic, cadmium, chromium, lead, mercury and tin. As none of our products is classified as food as described in Column B of the Second Schedule, our products are not subject to the requirements of the said Regulation 3.

Laws relating to prohibited substances

Sections 4 and 8 of the Dangerous Drugs Ordinance (Chapter 134 of the Laws of Hong Kong) (the “**Dangerous Drugs Ordinance**”) generally prohibit the trafficking and possession of dangerous drugs. Section 2 of the Dangerous Drugs Ordinance defines “dangerous drugs” as drugs or substances as specified in Part I of the First Schedule to the Dangerous Drugs Ordinance. On the other hand, the Antibiotics Ordinance (Chapter 137 of the Laws of Hong Kong) and the Antibiotics Regulations (Chapter 137A of the Laws of Hong Kong) regulate the sale and supply of substances as specified in the Schedule 1 to the Antibiotics Regulations. Neither of our products nor any raw materials used to manufacture them contain the above prohibited and/or regulated substances.

Trade Descriptions Ordinance

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (the “**Trade Descriptions Ordinance**”) prohibits false trade description, false, misleading or incomplete information, false statements etc., in respect of goods offered in the course of trade. Therefore, all of the products sold by our Group are required to comply with the relevant provisions therein.

Section 2 of the Trade Descriptions Ordinance provides, inter alia, that “trade description” in relation to goods means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, their being of the same kind as goods supplied to a person, price, place or date of manufacture, production, processing or reconditioning, person by whom manufactured, produced, processed or reconditioned etc.), with respect to any goods or parts of the goods; and in relation to services means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, nature, scope, quantity, fitness for purpose, method and procedures, availability, the person by whom the service is supplied, after-sale service assistance, price etc.).

Section 7 of the Trade Descriptions Ordinance provides that no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto.

Section 7A provides that 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.

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Sections 13E, 13F, 13G, 13H and 13I provide that a trader who engages in relation to a consumer in a commercial practice that (a) is a misleading omission; or (b) is aggressive; (c) constitutes bait advertising; (d) constitutes a bait and switch; or (e) constitutes wrongly accepting payment for a product, commits an offence.

In accordance with section 18 of the Trade Descriptions Ordinance, a person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be subject, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years, and on summary conviction, to a fine at HK\$100,000 and to imprisonment for 2 years.

Undesirable Medical Advertisements Ordinance

The advertisements of our Group's products are also governed by Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong) (the “**UMAO**”). The UMAO restricts certain advertisements relating to medical and health matters.

According to section 3 of the UMAO, unless by or with due authorisation from relevant authorities, no person shall publish, or cause to be published, any advertisement likely to lead to the use of any medicine, surgical appliance or treatment for:

- (1) the purpose of treating human beings for, or preventing human beings from contracting, any disease or condition specified in Column 1 of Schedule 1 to the UMAO, except for a purpose specified in Column 2 of the said Schedule; and
- (2) treating human beings for any purpose listed in Schedule 2 to the UMAO.

Section 2 of the UMAO defines “medicine” to include any kind of medicament or other curative or preventive substance, and whether a proprietary medicine, a patent medicine, a Chinese herbal medicine, a proprietary Chinese medicine, or purported natural remedy. Section 2 further provides that the sale of medicine in a labelled container or package shall constitute the publication of an advertisement.

Section 3B of the UMAO provides that no person shall publish, or cause to be published, an advertisement for an orally consumed product which makes for the product a claim specified in Column 1 of Schedule 4 to the UMAO, or any similar claim, except as allowed under the provisions in Column 2 of that Schedule 4. As section 3B covers orally consumed product, our products which are in the form of pill, capsule, tablet, granule, powder, semi-solid or liquid are subject to the regulations of the UMAO.

Import and Export Ordinance

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) (the “**IEO Ordinance**”) provides for the regulation and control of the import of articles into Hong Kong, the export of articles from Hong Kong, the handling and carriage of articles within Hong Kong which have been imported into Hong Kong or which may be exported from Hong Kong, and any matter incidental to or connected with the foregoing.

REGULATORY OVERVIEW

The import and export of certain articles are prohibited unless with the relevant licences under sections 6C and 6D which are issued under section 3 of the IEO Ordinance. These regulated articles include pharmaceutical products and medicines and proprietary Chinese medicines.

As our Group has not imported any articles which would contravene section 6C or section 6D of the IEO, there is no need for our Group to obtain licence under the IEO. For the sale and distribution of our products in Hong Kong, our Group imports semi-finished products into Hong Kong. With the exception of prohibited articles and certain restricted commodities, no licence is required for the import of any goods into Hong Kong.

Import and Export (Registration) Regulations

Regulation 4 of the Import and Export (Registration) Regulations (the “**IE(R)R**”) sets out that every person, including company, who imports any article other than an exempted article shall lodge with the Commissioner of Customs and Excise (the “**Commissioner**”) an accurate and complete import declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner may specify, and every declaration required to be lodged shall be lodged within 14 days after the importation of the article to which it relates. Any person fails or neglects to do such declaration within 14 days after the importation of the article to which it relates without any reasonable excuse shall be liable to (1) a fine of HK\$1,000 upon summary conviction; and (2) commencing from the date of conviction, a fine of HK\$100 in respect of everyday during which his failure or neglect to lodge such declaration in that manners continues. Further, Regulation 4 of the IE(R)R provided that any person who knowingly or recklessly lodges any declaration with the Commissioner that is inaccurate in any material particular shall be liable to a maximum fine of HK\$10,000 upon summary conviction.

Trade Marks Ordinance

The Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) (the “**Trade Marks Ordinance**”) provides for the registration of trademarks and related matters. Hong Kong provides territorial protection for trademarks. Therefore, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trademarks must be registered with the Trade Marks Registry of the Intellectual Property Department under the Trade Marks Ordinance and the Trade Marks Rules (Chapter 559A of the Laws of Hong Kong) (the “**Trade Marks Rules**”).

According to section 10 of the Trade Marks Ordinance, a registered trademark is a property right acquired through due registration under such ordinance. The owner of a registered trademark is entitled to the rights provided by the ordinance.

For further details, please refer the paragraph headed “B. Further information about the business of our Group – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus for further details of our registered trademarks in Hong Kong.

By virtue of section 14 of the Trade Marks Ordinance, the owner of a registered trademark has exclusive rights in the trademark. The rights of the owner respecting the registered trademark come into existence from the date of the registration of the trademark. According to section 48 of the ordinance, the registration date is the filing date of the application for registration.

REGULATORY OVERVIEW

Subject to the exceptions in section 19 to section 21 of the Trade Marks Ordinance, any use of the trademark by third parties without the consent of the owner is an infringement of the trademark. Conducts which amount to infringement of the registered trademark are further specified in section 18 of the same ordinance.

The owner of the registered trademark is entitled to remedies under the Trade Marks Ordinance once any infringement by third parties occurs, such as infringement proceedings provided for in section 23 and section 25 of the Trade Marks Ordinance.

Trademarks which are not registered under the Trade Marks Ordinance and the Trade Marks Rules may still obtain protection by the common law action of passing off, which requires proof of the owner's reputation in the unregistered trademark and that use of the trademark by third parties will cause the owner damage.

Copyright Ordinance

The Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) (the “**Copyright Ordinance**”) provides comprehensive protection recognised categories of literary, dramatic, musical and artistic works, as well as for files, television broadcasts and cable diffusion, and works made available on the internet.

In the course of creating our videos and online advertisements, our Group may create dramatic and artistic works made available on the internet that qualify for copyright protection. No registration is required. Infringement of copyright is actionable through civil litigation.

Competition Ordinance

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) (the “**Competition Ordinance**”) prohibits and deters undertakings in all sectors from adopting anti-competitive conduct which has the effect of preventing, restricting or distorting competition in Hong Kong. It contains the following rules which prohibit certain restrictions on competition in Hong Kong: (i) the first conduct rule prohibits anti-competitive agreements if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong (the “**First Conduct Rule**”); (ii) the second conduct rule prohibits undertakings that have a substantial degree of market power from engaging in conduct the object or effect of which is to prevent, restrict or distort competition in Hong Kong (the “**Second Conduct Rule**”); and (iii) the merger rule prohibits anti-competitive mergers and acquisitions that have or are likely to have the effect of substantially lessening competition in Hong Kong.

Pursuant to section 67, if the Competition Commission has reasonable cause to believe that (i) a contravention of the First Conduct Rule has occurred and the contravention involves serious anti-competitive conduct; or (ii) a contravention of the Second Conduct Rule has occurred; and (b) the Competition Commission has not yet brought proceedings in the Competition Tribunal in respect of the contravention, then the Competition Commission may, instead of bringing proceedings in the Competition Tribunal in the first instance, issue a notice (i.e. infringement notice) to the person against whom it proposes to bring proceedings, offering not to bring those proceedings on condition that the person makes

REGULATORY OVERVIEW

a commitment to comply with requirements of the notice. Under section 2 of the Competition Ordinance, “serious anti-competitive conduct” means any conduct that consists of any of the following or any combination of the following: (i) fixing, maintaining, increasing or controlling the price for the supply of goods or services; (ii) allocating sales, territories, customers or markets for the production or supply of goods or services; (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iv) bid-rigging.

However, under section 82 of the Competition Ordinance, if the Competition Commission has reasonable cause to believe that (i) a contravention of the First Conduct Rule has occurred; and (ii) the contravention does not involve serious anti-competitive conduct, the Competition Commission must, before bringing proceedings in the Competition Tribunal against the undertaking whose conduct is alleged to constitute the contravention, issue a notice (i.e. warning notice) to the undertaking.

In the event of the breaches of the Competition Ordinance, the Competition Tribunal may make orders including: imposing a pecuniary penalty if it is satisfied that an entity has contravened a competition rule; disqualifying a person from acting as a director of a company or taking part in the management of a company; prohibiting an entity from making or giving effect to an agreement; modifying or terminating an agreement; and requiring the payment of damages to a person who has suffered loss or damage.

Personal Data (Privacy) Ordinance

The Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “**Personal Data (Privacy) Ordinance**”) provides that a data user shall not do an act, or engage in a practice, that contravenes a data protection principle unless the act or practice, as the case may be, is required or permitted under the Personal (Privacy) Ordinance. The Personal Data (Privacy) Ordinance also places a statutory duty on data users to comply with the requirements of the six data protection principles contained in Schedule 1 of this ordinance. The six data protection principles are as follows: (i) principle 1 – purpose and manner of collection of personal data; (ii) principle 2 – accuracy and duration of retention of personal data; (iii) principle 3 – use of personal data; (iv) principle 4 – security of personal data; (v) principle 5 – information to be generally available; and (vi) principle 6 – access to personal data.

The Personal Data (Privacy) Ordinance also gives data subjects the following rights: (i) the right to be informed of whether any data user holds their personal data; (ii) the right to be supplied with a copy of such data; and (iii) the right to request correction of any data they consider to be inaccurate. Non-compliance with a data protection principle may lead to a complaint to the Privacy Commissioner for Personal Data.

PRC

Parallel trading

According to the PRC Legal Advisers, there is no specific definition of “parallel traders” and there is no specific anti-parallel trading law or regulation in the PRC. Nonetheless, the parallel imported goods, like other imported goods to the PRC, are subject to declaration to the Customs & Excise Department in the PRC and payment of the customs tax and import tax by the local importers in the PRC. Under the relevant laws and regulations, the Customs & Excise Department in the PRC is entitled to the collection of the customs duties and import link taxes consolidated as import tariffs on all entry articles (including personal luggage and mail parcels) that are brought from the outside of the PRC and are allowed to be let in across the border by the Customs & Excise Department in the PRC. In the case where such entry articles are being carried personally by a traveler or being mailed to a specific recipient residing in the PRC, that person carrying the articles or named as the recipient shall be the obligatory payer for the import tariffs, if any. For travelers carrying articles for personal use, no import tariff shall be collected if such article is (i) within the tax-free categories as prescribed by the General Administration of Customs of the PRC (中華人民共和國海關總署, the “GAC”), or (ii) within a scope of reasonable quantity and under a certain quota of value (RMB5,000 for single resident traveler and RMB2,000 for single non-resident traveler). Should the article exceed the quota of value or the scope of quantity as prescribed by the GAC, the Customs & Excise Department in the PRC shall levy the tariffs on the exceeding part of the articles if it is severable and to the full amount if it is inseverable.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS DEVELOPMENT

Our history can be traced back when Inwell, our main operating subsidiary, started offering beauty and health products and opened its first Retail Store in Causeway Bay in 2009. Since then, Inwell has become a multi-brand retailer offering beauty and health products in Hong Kong.

After years of development, we are now a multi-brand specialty retailer with nine Retail Stores in Hong Kong and we offer a wide range of beauty and health products. As at the Latest Practicable Date, we offered over 300 kinds of products in over 35 brands available for sale in our nine Retail Stores in Hong Kong and through our other sales channels. During the Track Record Period, we were the exclusive distributor of brands including “Synergie Skin” and “Synergie Minerals” in Hong Kong, the PRC, Macau and Taiwan; “pHion” in Hong Kong and Macau; and “Mayella”, “Secret Garden” (the production and sale of which was ceased by its brand owner in December 2016) and “Snow Fox” in Hong Kong. In December 2017, we became the exclusive distributor of the brand “Plabeau” in Hong Kong.

Milestones of our Group

The chronological overview of the key events in respect of the development of our Group is set out below:

1993	Inwell was incorporated in Hong Kong
2009	Inwell commenced business in offering beauty and health products Our Retail Store in Causeway Bay commenced business We became the exclusive distributor of “pHion” branded health supplement products in Hong Kong and Macau
2010	Our Retail Store in Tsim Sha Tsui commenced business
2011	Our Retail Store in Shatin commenced business We became a non-exclusive distributor of “Synergie Skin” and “Synergie Minerals” branded skincare and cosmetic products
2012	We became the exclusive distributor of “Secret Garden” branded skincare products in Hong Kong

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

2013	Our Retail Store in Yuen Long commenced business We became the exclusive distributor of “Synergie Skin” and “Synergie Minerals” branded skincare and cosmetic products in Hong Kong, the PRC and Macau
2014	Our Retail Store in Central commenced business
2015	We became the exclusive distributor of “Mayella” branded skincare, food and health supplement products in Hong Kong We became the exclusive distributor of “Synergie Skin” and “Synergie Minerals” branded skincare and cosmetic products in Taiwan
2016	Our Retail Stores in Tsuen Wan and Mongkok commenced business
2017	Our Retail Stores in Quarry Bay, Tuen Mun and Tseung Kwan O commenced business We became the exclusive distributor of “Snow Fox” and “Plabeau” branded skincare products in Hong Kong

CORPORATE DEVELOPMENT

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 4 November 2016. Upon completion of the Reorganisation as detailed in the paragraph headed “Reorganisation” in this section, our Company became the ultimate holding company of our Group. As at the Latest Practicable Date, our Group mainly comprised our Company, Rosy Horizon and Inwell. Set out below is the brief corporate history of the subsidiaries of our Company.

Inwell

Inwell was incorporated in Hong Kong on 15 July 1993 with limited liability. During the Track Record Period and as at the Latest Practicable Date, Inwell was engaged in the retail of a wide range of beauty and health products.

As at the date of incorporation, Inwell allotted and issued as fully paid two shares to two subscribers, who were Independent Third Parties.

On 26 January 1994, the two subscribers each transferred one share of Inwell, together representing the then entire issued share capital of Inwell, at par to Ms. Ying Ka Kwok, Tania (“**Ms. Ying**”), the mother of Ms. Erica Yuen and Ms. Mimi Yuen, and Mr. Yuen Kwon Young Raymond (“**Mr. KY Yuen**”), the then step-father of Ms. Erica Yuen and Ms. Mimi Yuen, respectively. On the same date, Inwell allotted and issued as fully paid 98 shares to Ms. Ying. The above transfers and allotment of shares were properly and legally completed and settled. Following the completion of the transfers and allotment of shares, the two subscribers ceased to have any shareholding interests in Inwell, and Inwell was owned as to 99.0% by Ms. Ying and 1.0% by Mr. KY Yuen. Ms. Ying and Mr. KY Yuen found Inwell as a property holding and consultancy company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 30 January 2002, Mr. KY Yuen transferred his entire shareholding interests in Inwell to Ms. Mimi Yuen at par. The above transfer of share was properly and legally completed and settled. As confirmed in the Confirmatory Deed by Ms. Mimi Yuen, Ms. Mimi Yuen held the said one share on trust for and on behalf of Ms. Ying with effect from 30 January 2002. Following the completion of the transfer of share, Mr. KY Yuen ceased to have any shareholding interests in Inwell, and Inwell was owned as to 99.0% by Ms. Ying and 1.0% by Ms. Mimi Yuen on trust for and on behalf of Ms. Ying.

On 31 March 2009, Ms. Ying transferred (i) 49 shares of Inwell to Ms. Mimi Yuen at par; and (ii) 50 shares of Inwell to Ms. Erica Yuen at par. The above transfers of shares were properly and legally completed and settled. Following the completion of the above transfers of shares, Ms. Ying ceased to have any shareholding interests in Inwell. As confirmed in the Confirmatory Deed by Ms. Mimi Yuen, she held the said 50 shares of Inwell registered under her name on trust for and on behalf of her sister, Ms. Erica Yuen, with effect from 31 March 2009. As a result, after the aforesaid transfers of shares and up until immediately prior to the Reorganisation, Inwell was owned as to 50.0% by Ms. Erica Yuen and 50.0% by Ms. Mimi Yuen on trust for and on behalf of Ms. Erica Yuen.

Upon completion of the Reorganisation, Inwell became a wholly-owned subsidiary of Rosy Horizon, details of which are set out in the paragraph headed “Reorganisation” in this section below.

Rosy Horizon

Rosy Horizon was incorporated as a company with liability limited by shares under the laws of the BVI on 8 March 2016. Since the date of incorporation, Rosy Horizon is authorised to issue a maximum of 50,000 shares of a single class with a par value of USD1.00 each. On 20 July 2016, Rosy Horizon allotted and issued as fully paid one ordinary share to each of Ms. Erica Yuen and Ms. Mimi Yuen. Subsequently, on 16 December 2016, Ms. Mimi Yuen transferred her entire shareholding interests in Rosy Horizon to Ms. Erica Yuen at par. Such transfer was properly and legally completed and settled.

Upon completion of the Reorganisation, Rosy Horizon became a wholly-owned subsidiary of our Company and a holding company of Inwell, details of which are set out in the paragraph headed “Reorganisation” in this section below.

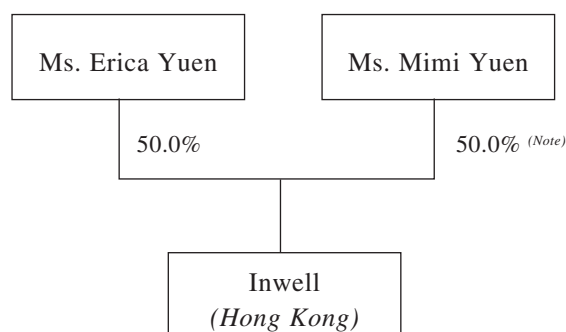
As at the Latest Practicable Date, Rosy Horizon was an investment holding company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

Prior to the Reorganisation, the structure of our Group was as follows:

Inwell



Note: Pursuant to the Confirmatory Deed, Ms. Mimi Yuen acknowledged and confirmed that she held in aggregate 50.0% of the issued shares of Inwell registered under her name on trust for and on behalf of Ms. Erica Yuen.

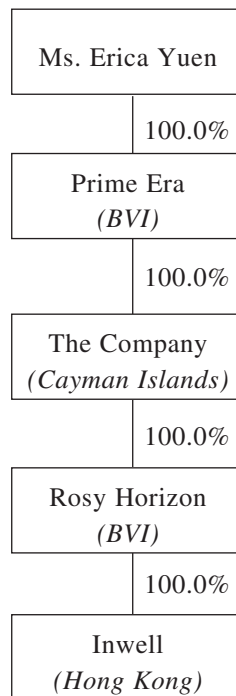
Corporate restructuring

In preparation for the Listing, our Group underwent various corporate restructuring as more particularly described as follows:

- (1) On 8 March 2016, Rosy Horizon was incorporated in the BVI with liability limited by shares. For further details of Rosy Horizon, please refer to the paragraph headed “Corporate development – Rosy Horizon” in this section.
- (2) On 23 December 2016, Ms. Erica Yuen and Ms. Mimi Yuen (at the instruction of Ms. Erica Yuen) transferred their entire shareholding interests in Inwell to Rosy Horizon. In consideration thereof, Rosy Horizon allotted and issued as fully paid two ordinary shares to Ms. Erica Yuen on 28 December 2016. Such transfers were properly and legally completed and settled. Following the completion of the above transfers of shares, Inwell became a wholly-owned subsidiary of Rosy Horizon.
- (3) Our Company was incorporated in the Cayman Islands on 4 November 2016 as an exempted company with limited liability under the Companies Law. At the time of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each, of which one Share was allotted and issued as fully paid to a subscriber. Subsequently on the same date, the subscriber transferred one Share to Prime Era.
- (4) On 23 January 2018, pursuant to the Reorganisation Agreement, our Company acquired all the issued shares of Rosy Horizon from Ms. Erica Yuen. In consideration thereof and at the instruction of Ms. Erica Yuen, our Company allotted and issued one Share, credited as fully paid, to Prime Era. The said transfer was properly and legally completed and settled. After such transfer, Rosy Horizon became a wholly-owned subsidiary of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

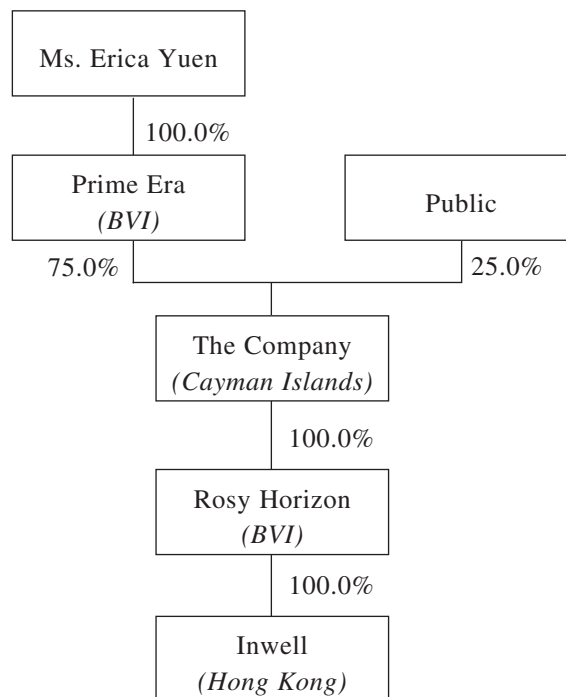
Upon completion of the Reorganisation set out above, our Company became the holding company of our Group. The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to completion of the Share Offer and the Capitalisation Issue:



Conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Share Offer, certain amounts standing to the credit of the share premium account of our Company will be capitalised and applied in paying up in full such number of Shares for allotment and issue to its then sole shareholder (i.e. Prime Era) prior to the Share Offer and the commencement of the trading and dealing of the Shares on GEM, so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by Prime Era, will constitute not more than 75.0% of the total issued share capital of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth the shareholding structure of our Group immediately following the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme):



OVERVIEW

We are a multi-brand retailer, which operate nine Retail Stores under the brand “mi ming mart” (“袁彌明生活百貨” or “彌明生活百貨”) in Hong Kong. We offer a wide range of beauty and health products, which can mainly be categorised into (i) skincare products; (ii) cosmetic products; and (iii) food and health supplements. Our Group has been under the leadership of our founder, chairlady, executive Director, chief executive officer and prominent social media icon, with more than 7.5 million view counts on one of the most popular social media platforms, Ms. Erica Yuen, since our commencement of business in 2009. According to the F&S Report, we ranked second among the small and medium segment of the skincare and cosmetics multi-brand specialty retailers market, comprising multi-brand specialty retailers with a total revenue of less than HK\$100 million per annum and a total store number of less than 10 in Hong Kong, in terms of revenue generated from the sale of skincare products and cosmetic products for the calendar year of 2016. This small and medium segment accounted for approximately 31.5% market share of the total skincare and cosmetics multi-brand specialty retailers market in Hong Kong in 2016.

Our philosophy. Our philosophy is “Setting off for harmless living” (“從無害生活出發”). To uphold this philosophy, we strive to select and offer quality products which do not contain any ingredients that, in our view, would affect or impair the health of our customers. We target to serve and offer our products to customers who are ingredient conscious and aspire to the betterment of their health.

Our products. As at the Latest Practicable Date, we offered more than 300 kinds of products in over 35 brands. During the Track Record Period, we were the exclusive distributor of the brands “Synergie Skin” and “Synergie Minerals” in Hong Kong, the PRC, Macau and Taiwan; “pHion” in Hong Kong and Macau; “Mayella”, “Secret Garden” (production and sale of which was ceased by its brand owner since December 2016) and “Snow Fox” in Hong Kong. In December 2017, we became the exclusive distributor of the brand “Plabeau” in Hong Kong. The wide spectrum of beauty and health products we offer to customers enables us to target a diverse customer base who are health conscious and who are looking for products that are transparent in their ingredient composition.

Our revenue and the sales channels of our products. We mainly sell our products at our Retail Stores, with a portion through our Online Shop at www.mimingmart.com, or through consignment sales and a distributor in Taiwan. We also act as a consignee for some suppliers when their products are sold at our Retail Stores or Online Shop on consignment basis whereby we are entitled to the consignment commission based on the amount of sales of the consignors’ products and the predetermined percentage as agreed by the consignors and us. As at the Latest Practicable Date, there were over 15 consignment products offered in our sales channels.

BUSINESS

The table below sets forth a breakdown of our revenue generated from the sale of our products and consignment commission:

	For the year ended 31 March						For the six months ended 30 September					
	2015		2016		2017		2016		2017			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	(unaudited)	
Sales of our products ^(Note 1)	47,635	98.0	80,382	97.9	101,171	97.8	46,430	97.3	55,319	99.4		
Consignment commission ^(Note 2)	963	2.0	1,724	2.1	2,253	2.2	1,290	2.7	331	0.6		
Total	48,598	100.0	82,106	100.0	103,424	100.0	47,720	100.0	55,650	100.0		

Notes:

1. This refers to the revenue generated from the sale of our products by different sales channels, including Retail Stores, Online Shop, consignment sales and distributor.
2. This refers to the commission received by us when we act as consignee for some suppliers when their products are put for sale at our Retail Stores or Online Shop on consignment basis.

The table below sets forth a breakdown of our revenue generated from the sale of our products from different sales channels for the years and periods indicated:

	For the year ended 31 March						For the six months ended 30 September					
	2015		2016		2017		2016		2017			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	(unaudited)	
Retail Stores	44,859	94.1	76,850	95.6	96,870	95.7	44,342	95.5	53,939	97.5		
Online Shop	1,840	3.9	2,830	3.5	3,399	3.4	1,748	3.8	1,101	2.0		
Consignment sales ^(Note)	936	2.0	550	0.7	320	0.3	199	0.4	93	0.2		
Distributor	-	-	152	0.2	582	0.6	141	0.3	186	0.3		
Total	47,635	100.0	80,382	100.0	101,171	100.0	46,430	100.0	55,319	100.0		

Note: Our products are also offered for sale by other retailers or Independent Third Party consignees on a consignment basis.

Our interaction with customers. Apart from conventional way of customer interaction on a face-to-face basis at our Retail Stores, we also interact with our customers through online media and social networking platforms. We keep our customers posted about our product offering by updating our product portfolio, and our latest marketing and promotional initiatives through our website from time to time. We post videos on online media and popular social networking platforms as well as our Online Shop, whereby the usage of our products, their ingredients and functions can be instilled to our existing and potential customers. Through such interactive online media and social networking platforms, we are able to obtain first-hand feedback from our customers and provide them with our instant response, which in turn enhances our interaction with them, optimises their shopping satisfaction and allows us to reach out to more potential customers.

BUSINESS

Our growth. We achieved a significant increase in revenue over the Track Record Period. Our revenue increased by approximately HK\$33.5 million, or approximately 68.9%, from approximately HK\$48.6 million for the year ended 31 March 2015 to approximately HK\$82.1 million for the year ended 31 March 2016. The increase in our revenue was primarily driven by our increased marketing and promotional activities together with large-scale brand-building marketing campaign; the launch of new products; and the increase in the revenue generated from our skincare products. In addition, the relocation of our Retail Stores in each of Tsim Sha Tsui and Causeway Bay from upper-floor location to street-front location had attracted more consumer traffic flow and enhanced the market recognition of our brand. Our total revenue increased by approximately HK\$21.3 million, or approximately 26.0%, from approximately HK\$82.1 million for the year ended 31 March 2016 to approximately HK\$103.4 million for the year ended 31 March 2017. The increase of revenue was primarily driven by (i) the commencement of business of our Retail Store in Tsuen Wan since April 2016 soon after the closure of our Retail Store in Central in March 2016 as our Retail Store in Tsuen Wan, being located in a major local shopping mall, had a relatively higher consumer traffic flow by carrying on business for seven days a week whereas our Retail Store in Central was closed on Saturday evening and Sunday; (ii) the commencement of business of our Retail Store in Mongkok, a prime shopping area, since October 2016; and (iii) the overall increase in sales volumes of our products across all product categories and the increase in the average selling price for our skincare products during the year ended 31 March 2017. Our total revenue increased by approximately HK\$8.0 million, or 16.6%, from approximately HK\$47.7 million for the six months ended 30 September 2016 to approximately HK\$55.7 million for the six months ended 30 September 2017. The increase of revenue was primarily driven by (i) the business generated from our four new Retail Stores in Mongkok, Quarry Bay, Tuen Mun and Tseung Kwan O, which had not commenced business during the corresponding period in the previous year; and (ii) the overall increase in sales volume as well as average selling price of our products during the six months ended 30 September 2017.

Going forward. We aim to maintain our leading position in the small and medium segment of the skincare and cosmetics multi-brand specialty retailers market in Hong Kong and expand our sales network and product portfolio in order to enhance our competitiveness. With our comprehensive knowledge in both the skincare and cosmetics market and the health supplement market in Hong Kong, we plan to open five new Retail Stores in Hong Kong between the Listing Date to the end of March 2020.

COMPETITIVE STRENGTHS

Our Directors take the view that the following competitive strengths have contributed to our success:

Our established brand of “mi ming mart” (“袁彌明生活百貨” or “彌明生活百貨”) is well-known for offering quality beauty and health products

According to the F&S Report, we ranked second among the small and medium segment of the skincare and cosmetics multi-brand specialty retailers market in Hong Kong in 2016 in terms of revenue generated from the sale of skincare and cosmetic products.

We believe our success is attributable to the brand image of “mi ming mart” (“袁彌明生活百貨” or “彌明生活百貨”), which emphasises our offer of quality beauty and health products selected by our senior management team, reinforcing our customers’ confidence in our products and build up our customers’ loyalty to our brand. We have compiled a list of excluded ingredients, which in our opinion, may impair the health of the users in the long run. When selecting our products, we ensure that the products do not contain any ingredient set out in our excluded list.

On the other hand, Ms. Erica Yuen, our founder, chairlady, executive Director and chief executive officer, is a well-known beauty blogger who has been using online media and social networking platforms to broadcast videos where she shares her reviews on our beauty and health products, their ingredients and functions since 2009. These videos, containing the reviews of Ms. Erica Yuen and other members of our staff on our products, have become popular and are conducive to nurturing a loyal customer base. This has differentiated us from other multi-brand retailers in the market.

Our multi-faceted marketing and promotion initiatives

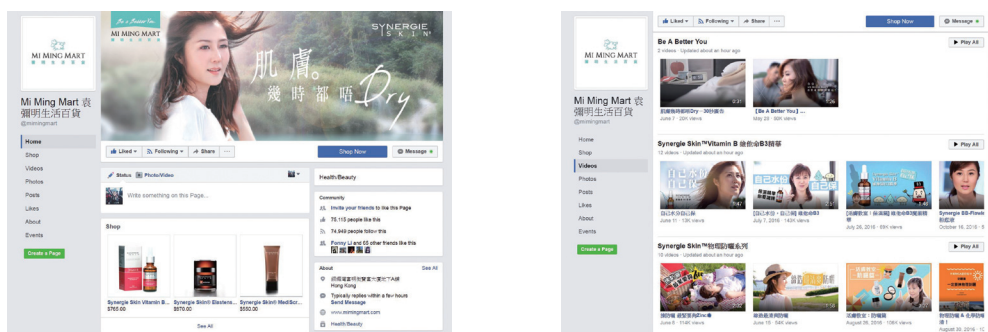
Our multi-faceted marketing strategy is carried out effectively and efficiently through various media, such as television, printed media, billboards, signage and engagement of a well-known artist to appear in our promotional materials, with a focus on interactive online media and social networking platforms taking into account the prevalence of the digital era.

We continuously produce videos where Ms. Erica Yuen and our customers can personally share their views on the functions of our products, skincare and make-up tips or the effectiveness of our products. Many of our customers learn about us and our products through these videos posted on online media and social networking platforms.

The use of online media and social networking platforms allows us to reach out to potential and existing customers to obtain instant feedback on our products. By using the above means, we are able to communicate with our customers in an interactive way, which is useful when formulating or adjusting our marketing and promotional strategies, and updating our product profiles and information based on their shopping sentiments.

Apart from our regular video posts, we also use other web advertising tools such as web banners or pop-ups on other websites and mobile applications.

The following pictures show some screenshots of our social networking platform:



We also offer monthly sale promotions and organise customer events, such as skincare sessions and make-up workshops in order to enhance our interaction with our customers. Furthermore, our Directors believe that customers' loyalty to our products is of paramount importance to build up our brand image. Hence, we set up a customer membership programme. It is noteworthy that for the three years ended 31 March 2017 and for the six months ended 30 September 2017, approximately 93.7%, 97.2%, 96.3% and 96.6% of our total revenue was generated from customers who had been registered under our membership programme, respectively.

This marketing strategy can also effectively promote our new products and instill their usage and functionalities to general consumers. We believe our marketing strategy, established network of Retail Stores and the quality products offered by us will continue to strengthen our brand image and customer base.

For further details about our marketing and promotional activities, please refer to the paragraph headed "Marketing and promotional activities" in this section.

As at the Latest Practicable Date, we were able to obtain exclusive distribution rights from Hong Kong and overseas brand proprietors for beauty and health products under certain brands, and we were the exclusive distributor of the brands including "Synergie Skin", "Synergie Minerals", "pHion", "Mayella", "Snow Fox" and "Plabeau"

Driven by our philosophy of "Setting off for harmless living" ("從無害生活出發"), we are committed to soliciting and selecting quality beauty and health products containing, in our view, no harmful or questionable substances. We source and purchase these products from overseas markets, mainly Australia, the US and the local market.

When sourcing products from overseas markets, upon discovering products that meet our stringent selection criteria and align with our philosophy, we try to bring them to the Hong Kong market and recommend the products to our customers. Generally, these brands may not be internationally renowned brands and are unknown to the Hong Kong market in contrast to other luxurious brands with a long history. As such, we have the opportunity to capture the capital benefits and competitive advantages of being the first company to sell these products in a new market if the products gain a wide acceptance by general consumers.

BUSINESS

To protect our efforts spent on launching and promoting new products, we prefer to enter into exclusive distribution agreements with the supplier. As such, during the Track Record Period, we were the exclusive distributor of the products under the brands of “Synergie Skin”, “Synergie Minerals”, “pHion”, “Mayella”, “Secret Garden” (the production and sale of which was ceased in December 2016) and “Snow Fox” for the distribution of their branded products in the designated territory including Hong Kong only or also in the PRC, Macau and/or Taiwan. In December 2017, we became the exclusive distributor of the brand “Plabeau” in Hong Kong. During the Track Record Period, the revenue generated from the sale of products which we had exclusive distribution rights amounted to approximately HK\$28.7 million, HK\$57.3 million, HK\$70.7 million and HK\$37.7 million, respectively, representing approximately 60.3%, 71.2%, 69.9% and 68.2% of our revenue generated from the sale of our products, respectively.

We have an established sales network

Our established network of Retail Stores during the Track Record Period accelerated the integration of our products into the local Hong Kong market. As at the Latest Practicable Date, we operated nine Retail Stores in Hong Kong, strategically located in prime shopping areas including Causeway Bay, Mongkok, Tsim Sha Tsui, and major local shopping areas, including Shatin, Tsuen Wan, Yuen Long, Quarry Bay, Tuen Mun and Tseung Kwan O.

We also sell our products on our Online Shop through which our customers can learn more about our products, including their ingredients and functions. Our Directors take the view that our product offering for sale on our Online Shop can indirectly and successfully bolster the sales taking place in our Retail Stores. During the Track Record Period, approximately 94.1%, 95.6%, 95.7% and 97.5% of our revenue from the sale of our products was generated from our Retail Stores, respectively. For further details about our Retail Stores, please refer to the paragraph headed “Sales channels – Retail Stores” in this section.

We offer a wide range of quality products

As at the Latest Practicable Date, we offered over 300 kinds of beauty and health products in over 35 different brands. Our beauty products range from mass, mid to high-end to premium prices to cater for the needs of consumers across different age groups with different purchasing powers and preferences. Our most popular beauty product brands and health product brands include “Synergie Skin”, “Synergie Minerals”, “pHion” and “Mayella”. While we uphold our principle of avoiding harmful substances in our products, we continuously strive to diversify the product profile and products mix and keep up with the changing consumer trends. We adapt to the ever-changing market trends by offering products that match consumer preferences which attracted our loyal customer base. During the Track Record Period, we introduced and offered a variety of new products, which included new product types and new product mix, for sale from time to time. Beauty and cosmetic products are generally trendy products whereas health products are appealing to customers who are growingly aware of their ingredients and functions. We are therefore pledged to offer quality products that on the one hand, contain no harmful ingredients and on the other hand, that can keep up with the changing trends and satisfy our customers’ needs and preferences from time to time.

We believe that our diverse portfolio of quality products will reduce our reliance on a particular kind of products or brands and allow us to identify and take advantage of opportunities in sourcing new products. For further details of our products, please refer to the paragraph headed “Products” in this section.

BUSINESS

We have an experienced senior management and dedicated workforce

Our Group is led by Ms. Erica Yuen, our founder, chairlady, executive Director and chief executive officer, together with an experienced and dedicated management team with extensive operational expertise and in-depth understanding of both the skincare and cosmetics industry and health supplement industry in Hong Kong. Ms. Erica Yuen's active pursuit of health and beauty and her selection of products have laid a strong foundation for establishing our brand "mi ming mart" ("袁彌明生活百貨" or "彌明生活百貨"), which offers quality products. Ms. Erica Yuen is mainly responsible for our business development and product selection. Furthermore, Ms. Mimi Yuen, our executive Director, is mainly responsible for our daily operation, which has enabled our Group to achieve continuous growth. Both Ms. Erica Yuen and Ms. Mimi Yuen have taken us from our inception to the current prosperity of our business.

Our senior management team's dedication, extensive experience and in-depth knowledge in the skincare and cosmetics industry and health supplement industry in Hong Kong has played a critical role in the development of our business, which we believe, differentiates us from our competitors and contributes to our rapid growth.

In addition to our management team, we also have a dedicated workforce who work on all levels of our operations, ranging from shop managers and sales persons of a particular Retail Store, marketing team who creates our videos and online advertisements, to general supporting staff. By providing adequate training to our staff on the ethics of selling, the ingredients and functions of individual products and by enhancing their awareness on leading a healthy life, our staff are trained to recommend products to our customers in order to cater for their needs and adopt fair selling tactics.

Attributed to the expertise and in-depth knowledge of our senior management team and the dedication of our workforce, we believe that we are well-positioned to achieve further growth and to take advantage of the various market opportunities in the future.

For further details of our Directors and senior management, please refer to the section headed "Directors, senior management and employees" in this prospectus.

BUSINESS STRATEGIES

Our business objectives are to consolidate our leading position in the small and medium segment of the skincare and cosmetics multi-brand specialty retailers market in Hong Kong and expand our sales network and product portfolio in order to enhance our overall competitiveness. To achieve our business objectives, we will implement the following business strategies:

Continue To Expand Our Retail Network

Our Group strives to continuously expand our sales and distribution network to capture a wider customer base and deepen the market penetration of our products by diversifying our retail network in Hong Kong.

Opening more Retail Stores and refurbish our existing Retail Stores to achieve unique image

We plan to continue to expand our network of Retail Stores by opening five new Retail Stores between the Listing Date and 31 March 2020. When selecting an appropriate location for opening a new Retail Store, we prefer prime shopping areas and other local shopping areas. We intend to open two additional Retail Stores in Causeway Bay and Mongkok so as increase our market presence in these areas. We plan to open other three new Retail Stores in Kowloon Bay, Tai Po and Kwun Tong to enhance our Group's geographical coverage.

The opening of two additional Retail Stores in Causeway Bay and Mongkok may reduce the customer traffic and the market share of our existing Retail Stores due to possible cannibalization. However, we have considered that (i) Causeway Bay and Mongkok are prime shopping areas in Hong Kong with crowds of shoppers and thus, there is potential for expansion of our Retail Stores in these two districts. In particular, the Transport Department has implemented pedestrian schemes in the more crowded parts of Causeway Bay and Mongkok which, in our Directors' view, would allow more road space to accommodate a bigger crowd of shoppers; (ii) given that the size of our Retail Stores is relatively small, if any products are out of stock in one Retail Store, our customers can still purchase the products in another Retail Store in the same district; and (iii) having two small-sized Retail Stores instead of one bigger-sized Retail Store in the same prime shopping area allows us to enjoy more flexibility in product offering by offering a different product mix in two Retail Stores, inventory management of the Retail Store and deployment of staff between two Retail Stores. To avoid the impact of cannibalization, our two new Retail Stores will not be located on the same street of existing Retail Stores or in close proximity (which from our Directors' point of view, refers to two Retail Stores that are within 15 minutes walking distance) to the existing Retail Stores in the same district.

Though apart from Retail Stores, we also sell our products via our Online Shop, the revenue generated from the sale of our products through our Online Shop for the three years ended 31 March 2017 and for the six months ended 30 September 2017 only accounted for approximately 3.9%, 3.5%, 3.4% and 2.0% of the revenue generated from the sale of our products respectively. Hence, our Retail Stores remain our major sales channels while our Online Shop provides a platform from where our customers or potential customers can look up our product information, which would help bolster the sales of our products in our Retail Stores. Our Online Shop may also attract customers outside Hong Kong. Hence, it would not cannibalise our Retail Stores nor impact the opening of our new Retail Stores.

It is our plan that all our Retail Stores are renovated in a unique style in terms of interior design and colour scheme to convey our brand philosophy to our customers and create a comfortable and relaxed environment for our customers to shop. Our Directors believe that this will facilitate our long-term growth momentum and bolster our leading position in the small and medium segment of the skincare and cosmetics multi-brand specialty retailers market in Hong Kong. To complement the expansion of our retail network, our capital investment, rental payment, recruitment of frontline staff and procurement of inventory will be expanded accordingly.

Last but not least, we believe that successful branding is key to our business development. We plan to strengthen our brand recognition and present a consistent brand image across all our Retail Stores in terms of their interior design and colour scheme. As we have relocated our Retail Store in Shatin to a larger premises within the same shopping mall and our new Retail Stores in Mongkok, Quarry Bay, Tuen Mun and Tseung Kwan O were opened recently, we will refurbish our existing Retail Stores located in Causeway Bay, Tsim Sha Tsui, Tsuen Wan and Yuen Long to ensure the consistency of our brand image across all of our Retail Stores.

BUSINESS

The expected amount to be incurred for the period from the Listing Date to 31 March 2020 for the opening of the new Retail Stores and renovation of existing Retail Stores is approximately HK\$13.5 million, representing approximately 35.5% of our net proceeds from the Share Offer, which is estimated with reference to the historical record of renovation costs and rental deposit payments, the breakdown of which is set out below:

Items	Approximately HK\$ million
Rental deposits for five new Retail Stores	1.5
Renovation costs for five new Retail Stores	3.3
Recruitment of a shop expansion manager	0.8
Recruitment of new staff for the operation of the five new Retail Stores (one shop manager, four sales person for each Retail Store)	5.9
Renovation of existing Retail Stores	2.0
	13.5

Acquisition of a Warehouse

To align with the expansion of our retail network and our online sales, we have contemplated acquiring a warehouse of approximately 600 sq.m to 800 sq.m and preferably in the eastern part of Hong Kong Island for storage of our increasing inventory stock. Our existing warehouse is a leased property, which is therefore subject to the risks associated with a leased property, such as early termination or non-renewal of the tenancy agreement by the landlord and the possible increase of rental expenses. Our Directors take the view that it would cause material interruption to our business operation and our expansion plan if we are compelled to relocate our warehouse upon expiration of the then tenancy agreement, in particular, when our inventory stock has increased to a high level as a result of the expansion of our business operation.

As compared to leasing a warehouse, having a self-owned warehouse would have the following advantages:

- *Minimise disruption and additional costs to our business caused by relocation or lease renewal*

Having a self-owned warehouse would allow us to (a) minimise the likelihood of any material disruption to our business due to the relocation of our warehouse caused by the termination or non-renewal of the lease of the warehouse; (b) avoid incurring additional costs for relocation in the event that the lease renewal is declined; and (c) protect us from any abrupt increase in rentals upon renewal of leases in the future.

- *Improve our operating cash flow*

Having our self-owned warehouse would help improve the operating cash flow of our Group in the long run by eliminating our Group's rental expenses for the leased warehouse.

BUSINESS

- *Enhance our Group's ability to secure bank loans*

Most banks require collaterals, such as cash deposits or properties, and/or guarantees from our Controlling Shareholders in order to secure bank borrowings for our Group. As such, our Directors are of the view that owning a property will strengthen our bargaining power to negotiate more favourable terms for future bank borrowings.

- *Benefit from any appreciation in the value of the property*

By having a self-owned warehouse, we can benefit from any appreciation in its value. On the other hand, lease of a warehouse would remain a burden on our business as the lease is locked and the rental expenses are fixed for several years.

Taking the above into account, our Directors are of the view that having our self-owned warehouse would be more beneficial to our Group in the long run.

Our Directors take the view that, after making all reasonable enquiries, the acquisition and related cost for the warehouse will be approximately HK\$30.0 million, of which a sum of approximately HK\$11.0 million will be financed from the net proceeds of Share Offer, which represents approximately 28.8% of our net proceeds from the Share Offer.

Expand Our Product Portfolio And Explore New Suppliers

We believe that our success largely depends on our ability to source and sell new products that can meet our selection criteria, customer preferences and changing market demands. Our management considers the continued supply of new and quality products as an important factor in retaining our customer base, which contributes to our success.

We intend to apply a total of approximately HK\$1.4 million, which represents approximately 3.4% of our net proceeds from the Share Offer to the expansion of our product portfolio, by hiring a product expansion manager who has extensive experience in the skincare and cosmetics industry and the health supplement industry to assist us in identifying new products with high marketability, collaborating with suitable suppliers or enter into strategic alliances with them for developing new quality products if opportunity arises, attending trade fairs, exhibitions and conducting a feasibility study and research on new products and new markets.

Enhance Our Marketing Strategies

We plan to expand our marketing efforts through different marketing means to enhance the awareness of our brand “mi ming mart” (“袁彌明生活百貨” or “彌明生活百貨”), which may help promote our newly-launched products in the market from time to time.

Expand and explore more effective online marketing strategies

We will continue to explore new technologies and more effective marketing strategies related to data analysis of different target groups of customers, research different digital marketing trends and different payment gateways that enable us to reach out to potential customers in cost-effective ways in order to acquire a better understanding of our potential customers' needs and preferences, to build trust and confidence with our existing customers, promote our products and enhance our brand image.

Transform our website as a lifestyle information portal

We currently use our webpage www.mimingmart.com mainly as an online shopping website. We plan to transform this webpage into a lifestyle information portal which will include more information on our product offerings, beauty tips, and videos and articles posted by Ms. Erica Yuen and our marketing team.

By transforming our website into a lifestyle information portal, we will be able to provide more information to our customers, enhance our brand awareness and strengthen our relationship with our customers.

Revamp Online Shop

We believe the Internet provides a highly efficient platform for us to host our product information and promotion and also enables us to reach customers globally and sell our products to our customers on a business-to-customer (“B2C”) basis. According to the F&S Report, e-commerce is a sales channel that grew rapidly in Hong Kong from approximately HK\$73.5 million in 2012 to approximately HK\$121.8 million in 2016, representing a CAGR of approximately 13.4%. It is forecast that the retail value generated by e-commerce would reach approximately HK\$168.6 million in 2021 at a CAGR of approximately 6.7%. We plan to expand our e-commerce business by improving the design and functionality of our Online Shop and conducting additional promotional and marketing activities on the Internet. We believe a well-developed B2C channel can help us lead the change in the retail landscape through our website www.mimingmart.com and cater to the prevailing trends and preferences of our online customers and enhance their shopping experience and satisfaction.

Deploy more mainstream media

In order to reach out to more customers and further strengthen our brand recognition and enhance customer shopping satisfaction, we plan to deploy more resources to strengthen our advertising through traditional media such as television, outdoor advertising, newspapers, magazines, advertising in mass transit railway stations and mobile phone applications.

To implement the aforesaid strategies, we expect to apply a sum of approximately HK\$8.8 million which represents approximately 23.2% of our net proceeds from the Share Offer.

Conduct System Improvement And Integration

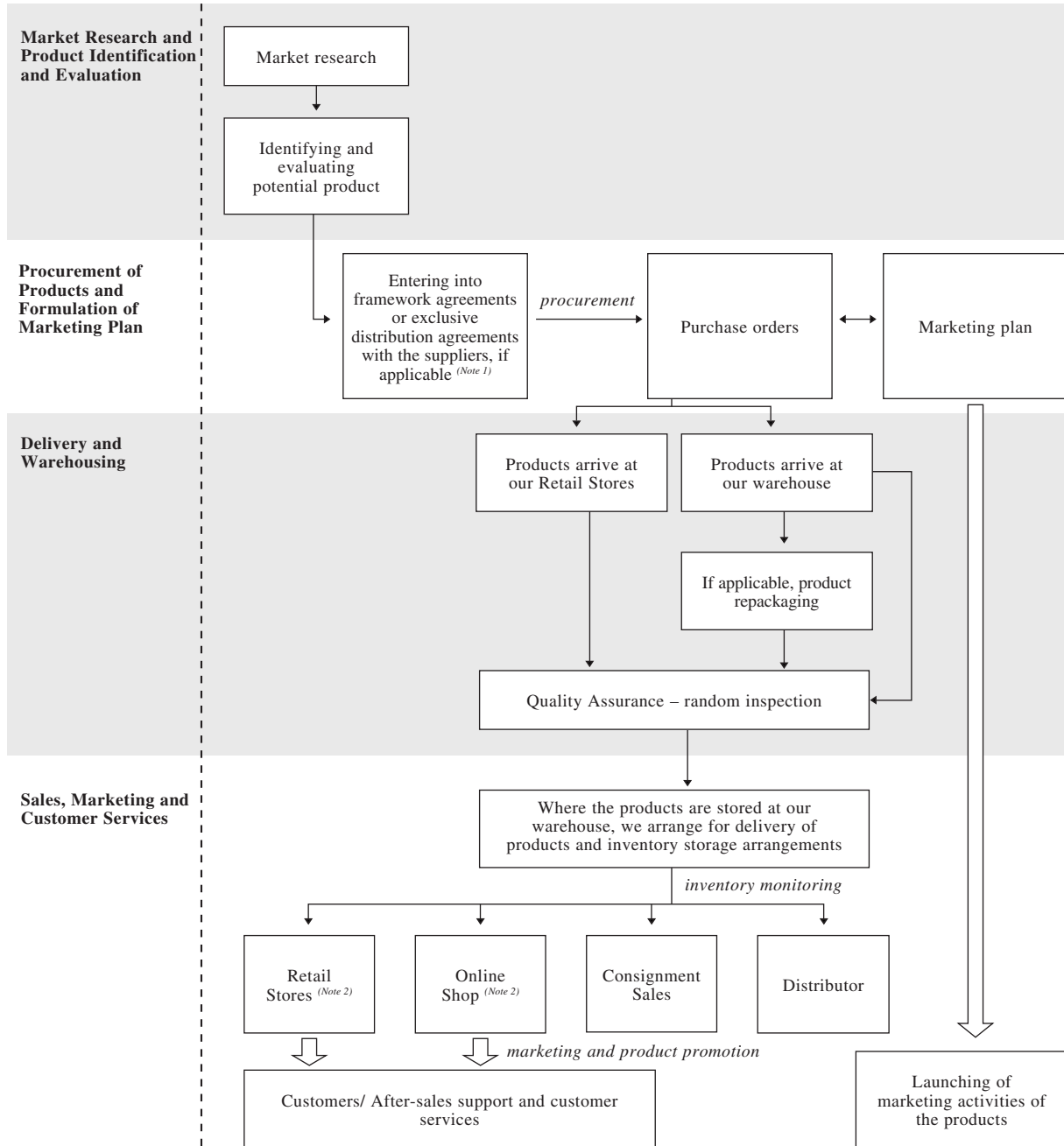
We currently use separate information technology systems to manage our Retail Stores, Online Shop, enterprise resource planning, our human resource management and accounting system.

In order to cope with our expanding business, we plan to engage third party information technology service providers to develop a centralised information technology infrastructure, connecting our Online Shop and Retail Stores in terms of dealing with purchases, receipts, sales, promotions, inventory control, customer analysis, and the POS system in the Retail Stores, enterprise resource planning, and accounting systems. The system can help generate accurate and timely financial data, which is helpful for us in projecting our operating costs and planning our inventory management. The system would also enable us to obtain various data and statistics regarding our customers, which would be useful for us to analyse customer preferences from time to time. After developing the new centralised integrated system, we have to hire the required information technology professionals to help us to upgrade and maintain the system. It is expected that some customisation would be required for the new system to adapt to our business processes.

In this regard, we will apply a total of approximately HK\$1.3 million, which represents approximately 3.4% of our net proceeds from the Share Offer for developing the new information technology system.

BUSINESS MODEL

The following diagram illustrates our current business model in relation to the sale of our products:



Notes:

- (1) Not all suppliers had entered into framework agreement or exclusive distribution agreement with us.
- (2) The Online Shop and Retail Stores are operated by us.

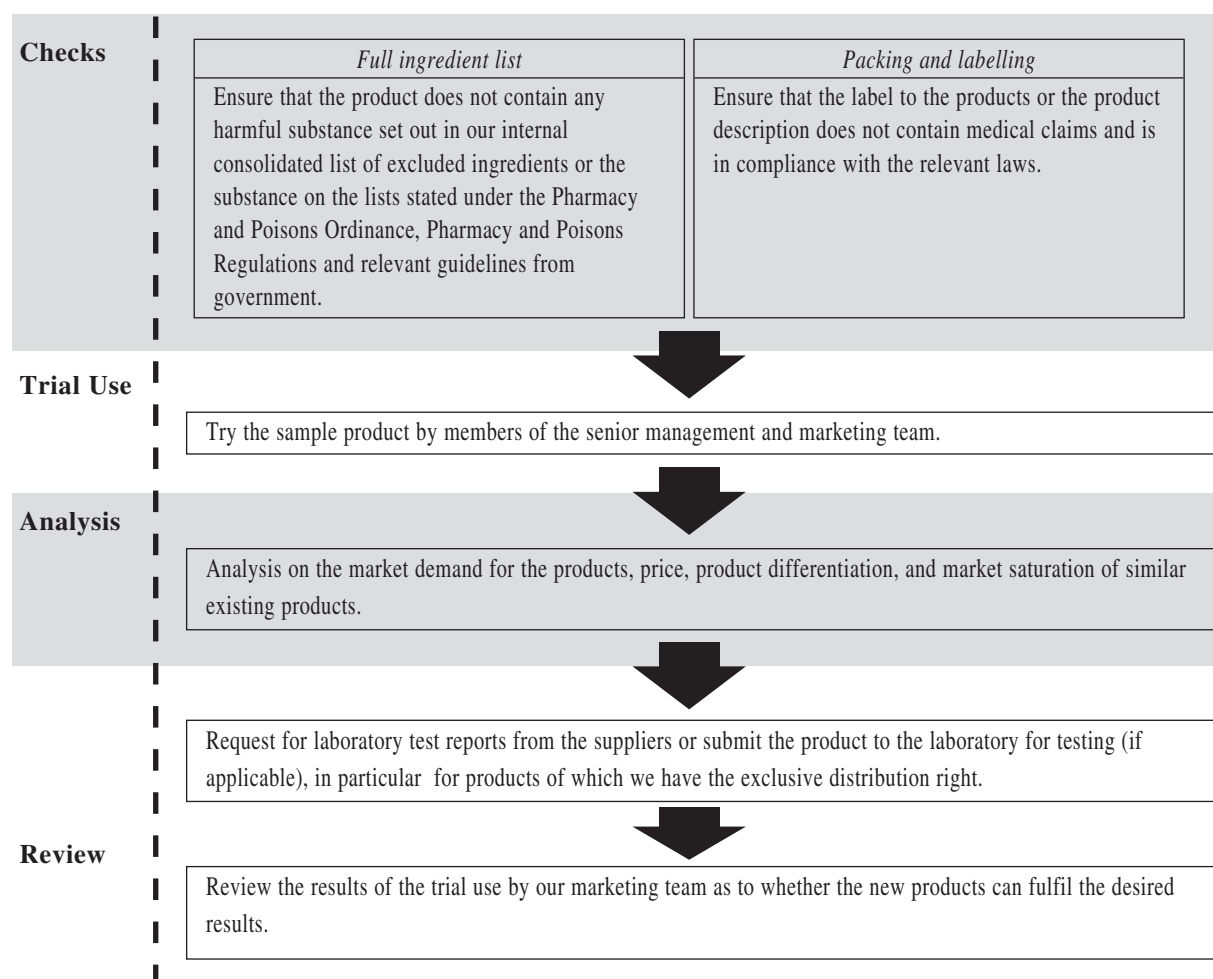
The following are the details of our business model:

1. Market research, production identification and evaluation

Our senior management team and marketing team hold regular meetings and conduct research on the latest market trend in respect of beauty and health products in Hong Kong and other developed regions in order to generate new ideas when selecting new products.

We explore new products mainly via (i) the invention of new products by our existing supplier(s) or new suppliers; (ii) recommendations from our suppliers; (iii) attending trade fairs and beauty and health product exhibitions; and (iv) Internet search.

With our Group's mission to source and select quality products for our customers, we strive to uphold and maintain the quality of the products by, among others, exercising a stringent selection and review process of the products to ensure that our products do not contain any substance or ingredient set out in our list of excluded ingredients before we launch any new products as follows:



2. Procurement of products and formulation of marketing plan

After we have approved the product, we will try to enter into a framework supply agreement with the supplier. However, not all suppliers prefer entering into a framework supply agreement or distribution agreement with us. In such a case, we have to purchase products from these suppliers based on the terms of individual purchase orders.

It is our general preference to obtain an exclusive distributorship from the supplier. However, when negotiating with the suppliers on the terms of the framework supply agreement, we take into account a number of factors, including:

- (i) profit margin, in particular, we would have a higher profit margin if the supplier relies on us to launch or bring their products to the Hong Kong market;
- (ii) product availability, i.e. whether similar products or products with similar functions are generally available in the Hong Kong market;
- (iii) whether the product is seasonal (for example, Christmas sets);
- (iv) market potential of the product and the brand; and
- (v) whether the product is complementary or dissimilar to our existing products.

Our warehouse and logistics team places purchase orders with our suppliers specifying the product quantity and delivery arrangement. In general, if we purchase the products in large quantity or in an amount which is able to reach the pre-agreed amount with the suppliers, the suppliers will bear the delivery cost of the products.

Formulation of promotional plan and marketing materials of the product(s)

At the same time, our marketing team formulates a feasible promotional plan for each individual product before we launch the product in the market. During the Track Record Period, we marketed our products through different media with a focus on online media and social networking platforms. Upon understanding the ingredients and functions of a particular product, we will then update our product catalogue and electronic newsletters and, if applicable, produce videos to post on online media and social networking platforms explaining the product ingredients and functions to our customers. Our marketing team will also work out the broadcasting schedule and the relevant time frame. We will also notify customers who have joined our membership programme about the new product on a timely basis.

3. Delivery and warehousing

It normally takes around one to six weeks from placing a purchase order with our suppliers to the delivery of the products to our warehouse or directly to the Retail Stores. If the products are delivered to our warehouse, our warehouse and logistics team will then arrange for the delivery of the products to the Retail Stores.

BUSINESS

In some circumstances, we order products in bulk packages from respective suppliers of “Synergie Skin” and “Mayella” branded products who have expressly authorised us to repack their products from the larger size bulk packaging into small packs for retail sales. We adhere to the repacking policy and standard prescribed by the relevant suppliers. For further details of our policy on quality control, please refer to the paragraph headed “Quality control” in this section.

4. Sales, marketing and customer services

When the products are readily available at our sales network, our marketing team will distribute the relevant promotional and marketing materials previously produced via electronic direct mail marketing, on our website and social networking platforms as planned.

The products are mainly sold via different sales networks, namely, self operated Retail Stores, self operated Online Shop, consignee stores and the distributor in Taiwan (for products under the brands of “Synergie Skin” and “Synergie Minerals” only). For further details of our various sales network, please refer to the paragraph headed “Sales channels” in this section.

We provide after-sales services through our Retail Stores, customer service email account, and social networking platforms. Both our marketing and sales teams are responsible for providing after-sales services and responding to consumers’ enquiries and complaints on a timely basis.

SALES CHANNELS

The sales channels of our products mainly consist of Retail Stores, Online Shop, Independent Third Party consignees and a distributor. The following table sets forth a breakdown of our revenue generated from the sale of our products through different sales channels for the years and periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Retail Stores	44,859	94.1	76,850	95.6	96,870	95.7	44,342	95.5	53,939	97.5
Online Shop	1,840	3.9	2,830	3.5	3,399	3.4	1,748	3.8	1,101	2.0
Consignment sales ^(Note)	936	2.0	550	0.7	320	0.3	199	0.4	93	0.2
Distributor	–	–	152	0.2	582	0.6	141	0.3	186	0.3
Total	47,635	100.0	80,382	100.0	101,171	100.0	46,430	100.0	55,319	100.0

Note: Our products were also offered for sale by other retailers or Independent Third Party consignees on a consignment basis.

BUSINESS

We also act as consignee for some suppliers when their products are sold at our Retail Stores or Online Shop on a consignment basis whereby we are entitled to the consignment commission based on the amount of sales of the consignors' products and the predetermined percentage as agreed by the consignors and us. The table below sets forth a breakdown of our revenue generated from the sale of our products and the consignment commission:

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Sales of our products ^(Note 1)	47,635	98.0	80,382	97.9	101,171	97.8	46,430	97.3	55,319	99.4
Consignment commission ^(Note 2)	963	2.0	1,724	2.1	2,253	2.2	1,290	2.7	331	0.6
	48,598	100.0	82,106	100.0	103,424	100.0	47,720	100.0	55,650	100.0

Notes:

1. This refers to the revenue generated from the sale of our products by different channels, including Retail Stores, Online Shop, consignment sales and distributor.
2. This refers to the commission received by us when we act as the consignee for some suppliers when their products are put for sale at our Retail Stores or Online Shop on a consignment basis.

Retail Stores

As at the Latest Practicable Date, we operated a chain of nine Retail Stores in Hong Kong, with three stores in prime shopping areas including Causeway Bay, Mongkok, Tsim Sha Tsui and six stores in major local shopping areas including Shatin, Tsuen Wan, Yuen Long, Quarry Bay, Tuen Mun and Tseung Kwan O under our brand "mi ming mart" ("袁彌明生活百貨" or "彌明生活百貨"). We set out the details of our Retail Stores as at the Latest Practicable Date below:

Address	Term of the existing tenancy/licence	Monthly rent/licence fee	Approximate gross floor area
Portion B of Shop A, Ground Floor 84-94 Percival Street Causeway Bay Hong Kong	Three years from 2 July 2015 to 1 July 2018	HK\$180,000 for the period from 2 July 2015 to 1 July 2017 (both days inclusive) and HK\$210,000 for the period from 2 July 2017 to 1 July 2018 (both days inclusive)	27.87 sq.m.
Shop A, G/F Tern Commercial Building No. 39 Granville Road Kowloon	Three years from 22 October 2015 to 21 October 2018	HK\$138,000	65.03 sq.m.
Kiosk 10 on G/F, Grand Plaza 625 & 639 Nathan Road Mongkok Kowloon	One year from 8 October 2017 to 31 October 2018	Basic licence fee of HK\$75,000 and additional licence fee being 9% of the monthly gross receipts of that month after deduction of the basic licence fee	18.58 sq.m.

BUSINESS

Address	Term of the existing tenancy/licence	Monthly rent/licence fee	Approximate gross floor area
Shop Nos. 25G & H on Level 3 Shatin Centre Shatin New Territories <i>(Note 1)</i>	Two years from 31 December 2016 to 30 December 2018	HK\$132,000 plus additional turnover rent being the sum equivalent to the difference between 10% of the turnover of the tenant's business during the relevant calendar month less the monthly basic rent for that calendar month	56.11 sq.m.
Shop No. 2050, 2/F KOLOUR. Tsuen Wan I 68 Chung On Street Tsuen Wan New Territories <i>(Note 2)</i>	Two years from 15 March 2016 to 14 March 2018	HK\$73,500 or a turnover rent being the sum of 7% of the monthly gross turnover of the tenant's business carried on, in, at or from the property, whichever is higher	60.38 sq.m.
Shop No. 49, G/F KOLOUR. Yuen Long No. 1 Kau Yuk Road and Nos. 36-46 Tai Tong Road Yuen Long New Territories	Two years from 26 September 2017 to 25 September 2019	HK\$81,300 or a turnover rent being the sum of 10% of the monthly gross receipts of the tenant's business carried on, in, at or from the property, whichever is higher	23.22 sq.m.
Shop No. F22A, 1st Floor, Kornhill Plaza, 1 Kornhill Road, Quarry Bay Hong Kong	Two years from 19 May 2017 to 18 May 2019	HK\$63,000 or a turnover rent being the sum of 9% of the monthly gross receipts in the course of the tenant's business conducted at, in or from the property for the period from 19 May 2017 to 18 May 2018, whichever is higher; and HK\$64,890 or a turnover rent being the sum of 9% of the monthly gross receipts in the course of the tenant's business conducted at, in or from the property for the period from 19 May 2018 to 18 May 2019, whichever is higher	32.51 sq. m.
Shop Nos. M-V18 and M-V19 on MTR Level of V City, No. 83 Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories	Two years from 1 July 2017 to 30 June 2019	HK\$86,130 plus additional turnover rent being an amount by which 10% of the monthly gross receipt of the tenant's business at the premises during and for the rental payable month (without any deduction) exceeds the basic rental	30.65 sq.m.
Shop No. 176 on Level 1 of the Commercial Accommodation of East Point City, Tseung Kwan O New Territories	Two years from 26 July 2017 to 25 July 2019	HK\$60,000 plus additional turnover rent being an amount by which 10% of the gross receipt(s) of the tenant's business at the premises during and for the rental payable month (without any deduction) exceeds the basic rental	40.78 sq.m.

BUSINESS

Notes:

1. From 11 February 2015 to 10 February 2017, our Retail Store in Shatin was situated at Shop No. 26E on Level 3 of Shatin Centre, Shatin, New Territories, with an approximate gross floor area of 27.87 sq.m. and the monthly basic rent of which was HK\$80,000 for the first year of the tenancy agreement and HK\$84,000 for the second year of the tenancy agreement, plus additional turnover rent equal to the difference between 10% of the turnover of the Retail Store in Shatin for the month and the monthly basic rent.
2. The lease of our Tsuen Wan store will expire in March 2018. We have received an offer from the landlord to renew the lease commencing from 15 March 2018 to 14 March 2020 and are currently negotiating the terms with the landlord.

Our Retail Store in Tuen Mun opened in mid July 2017 and to generate a buzz on our brand prior to the opening of our new Retail Store, we opened a pop-up store from 1 to 10 July 2017 in the same shopping mall of our Tuen Mun Retail Store.

Our Retail Store in Tseung Kwan O opened in September 2017 and to further promote our brand, we opened a pop-up store from 1 August to 6 September 2017 in the same shopping mall of our Tseung Kwan O Retail Store, prior to the opening of our new Retail Store.

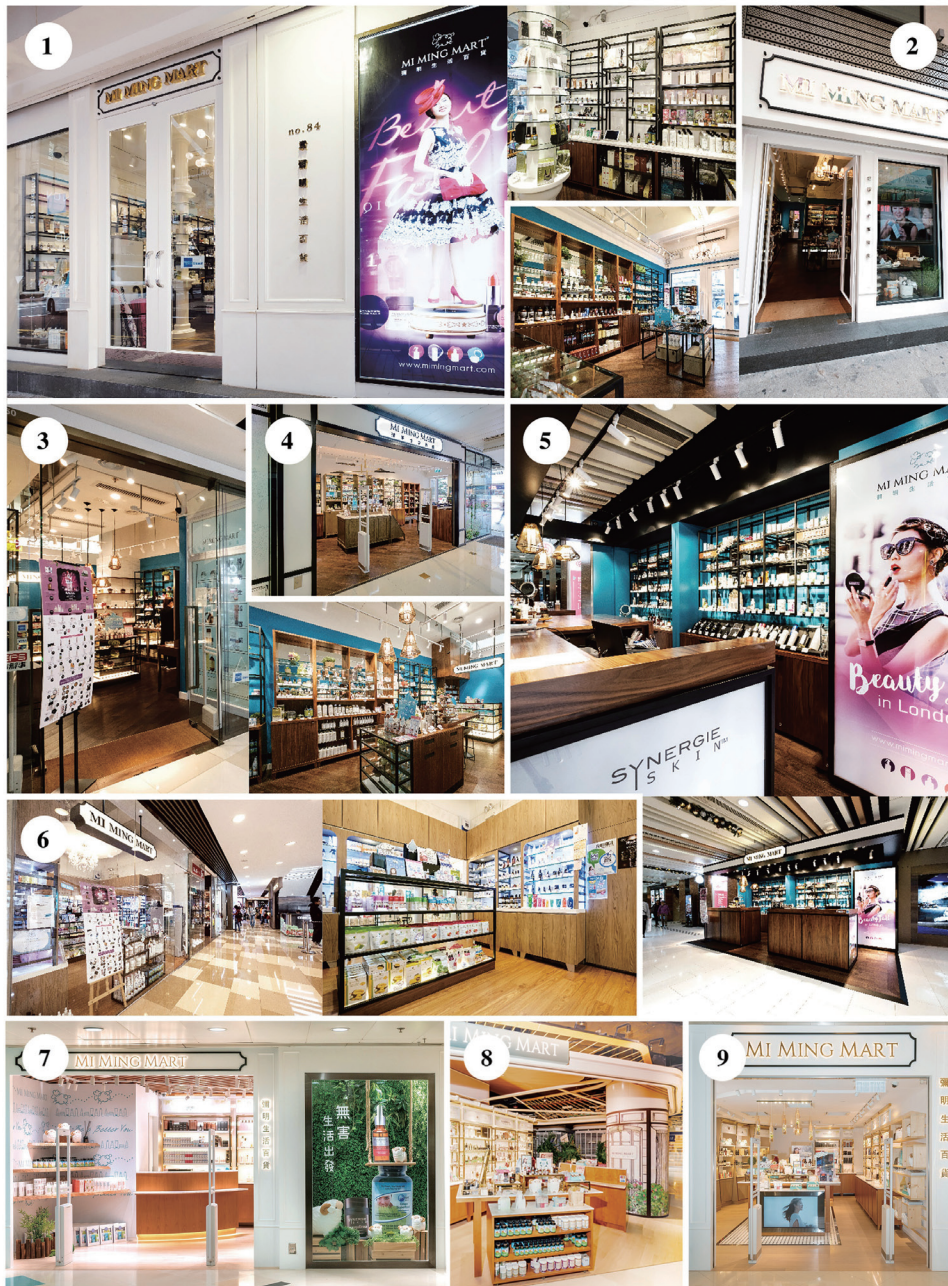
The table below shows the average Retail Stores sales per sq.m during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September
	2015	2016	2017	2017
Total approximate gross floor area of our Retail Stores in sq.m. <i>(Note)</i>	251.9	250.1	213.4	297.9
Approximately Retail Stores sales per sq.m. <i>(HK\$'000)</i>	178.1	307.3	453.9	181.1

Note: Total approximate gross floor area of our Retail Stores in sq.m. is the sum of the approximate gross floor area of our respective Retail Stores multiplied by the number of months in operation of our respective Retail Stores during that year/period and divided by the number of months for the respective year/period.

BUSINESS

The following pictures show our self-operated Retail Stores:



① Causeway Bay Store

② Tsim Sha Tsui Store

③ Tsuen Wan Store

④ Shatin Store

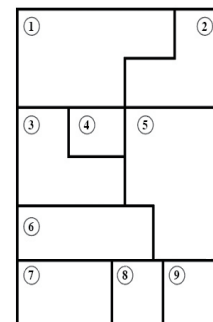
⑤ Mongkok Store

⑥ Yuen Long Store

⑦ Quarry Bay Store

⑧ Tuen Mun Store

⑨ Tseung Kwan O Store



Retail Stores personnel

Our sales team is primarily responsible for the operation of our self-operated Retail Stores, including monitoring the implementation of regular sales plans and annual sales plans, evaluating sales performance as well as working together with the marketing team to implement our marketing plan. Each Retail Store is staffed with a sales team comprising a shop manager and sales persons. We regularly conduct trainings related to our beauty and health products, their ingredients and functionalities and sales skills for our shop managers and sales persons in order to ensure that they have sufficient knowledge and understanding on our products available for sale in our Retail Stores and are able to give correct information to our customers to cater for individual customer's different needs and preferences.

Since October 2014, we started implementing a sales commission scheme to incentivise our frontline sales persons. During the Track Record Period, the sales commission earned by our sales persons ranged from approximately HK\$100 to HK\$11,000 per person, depending on the performance of individual Retail Store based on its sales targets in a particular month. If all the Retail Stores were able to exceed the sales targets in a particular month, members of the marketing team and logistics and warehousing team would also, at the entire discretion of the executive Directors, be paid a sales commission.

For each of the three years ended 31 March 2017 and for the six months ended 30 September 2017, our sales commission amounted to approximately HK\$0.1 million, HK\$0.9 million, HK\$1.2 million and HK\$0.5 million, respectively. Since December 2016, we modified the sales commission scheme to the extent that the sales target would be based on the aggregate revenue generated from all Retail Stores in a particular month.

Retail Stores operation

We strive to create an enjoyable and comfortable shopping experience for our customers by maintaining a recognisable store design across our all Retail Stores and to increase the traffic flow of our Retail Stores (i.e. the movement of customers through our Retail Stores). We try to present a consistent layout, in particular, through the product display, price labels, shelves, decoration, colour of the shopfront, information displays and staff uniforms. To increase the consumer traffic flow of our Retail Stores, we emphasise the layout of our Retail Stores, which can encourage shopping behaviours of our customers. To better enhance our brand recognition, we also place computer tablets at our Retail Stores to display the videos produced by our Group. These videos aim to deliver informative reviews by Ms. Erica Yuen and our marketing team on the function and ingredient composition of the products, skincare and make-up tips, and our promotions from time to time. We believe the above means are conducive to optimise customers' shopping experience and nurture a loyal customer base.

We have been using a computerised POS system at all of our Retail Stores to capture the sales, inventory level, customer spending and payment data on a real time basis. We closely monitor and analyse the relevant data, which enables us to monitor the inventory levels of each Retail Store, and quickly analyse the sales performance and respond in a timely manner to any change in customers' taste and preference.

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Settlement and cash management

During the Track Record Period and up to the Latest Practicable Date, all sales were invoiced and settled in Hong Kong dollar and no credit term was granted by our Group to any customers of our Retail Stores. We accept payment by credit card, electronic payment services, bank deposit or by cash. Most of our customers settle their bills by cash, credit card or electronic payment services. Cash collected each day will be packed in a sealed bag which is kept in a safe at each Retail Store. A security company, an Independent Third Party, will collect such cash and deposit it into our bank accounts two to three times a week. We conduct reconciliations of sales recorded by the summaries generated from the POS system with the actual receipts from each Retail Store on a daily basis. We will counter-check our records with the statements from the security company. Through the accounting system, we monitor our cash proceeds against the cash deposit records from the bank and sale reports.

During the Track Record Period, we did not encounter any material cash loss.

Strategy on selection of location for our Retail Stores

Identifying a suitable location for our Retail Stores is a crucial factor to our success. We strategically open our Retail Stores at prime shopping areas or local shopping areas.

Apart from location, we also take into account other factors when selecting suitable locations for our Retail Stores, such as the size, location's accessibility, rental cost and length of lease and whether there are any skincare and cosmetics multi-brand specialty retailers in the neighbourhood.

The typical lead time from completion of site selection to the opening of a new Retail Store amounts to approximately two months.

Opening and close of Retail Stores during the Track Record Period

We opened our first Retail Store in Causeway Bay in 2009. During the four years ended 31 March 2014, we opened three Retail Stores in Tsim Sha Tsui, Shatin and Yuen Long.

The table below shows the changes in the number of Retail Stores we had during the Track Record Period and up to the Latest Practicable Date.

	For the year ended			After the
	31 March			For the Track Record
	2017			six months ended Period and up
	2015	2016	2017	30 September to the Latest
	(Note 1)	(Note 2)	(Note 3)	(Note 4) Practicable
				Date
Number of Retail Stores as at the beginning of the relevant financial year/period	4	5	4	6
Number of Retail Stores opened during the relevant financial year/period	1	2	3	3
Number of Retail Stores closed during the relevant financial year/period	0	(3)	(1)	0
Number of Retail Stores as at the end of the relevant financial year/period	5	4	6	9

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Notes:

1. During the year ended 31 March 2015, we opened one Retail Store in Central. As a result, we had five Retail Stores respectively located in Causeway Bay, Tsim Sha Tsui, Shatin, Yuen Long and Central during the year ended 31 March 2015.
2. During the year ended 31 March 2016, we relocated two Retail Stores in Causeway Bay and Tsim Sha Tsui by opening two new Retail Stores in these two districts at street-front locations and then we closed two former Retail Stores in these two districts at upper-floor locations. We closed one Retail Store in Central as our Group was unable to reach an agreement with the landlord for the renewal of the tenancy agreement upon the expiration thereof with terms and conditions that were acceptable to us. As a result, we had four Retail Stores as at 31 March 2016.
3. During the year ended 31 March 2017, we opened one Retail Store in Tsuen Wan and one Retail Store in Mongkok. We also relocated our Retail Store in Shatin by opening a new Retail Store in the same shopping mall and closing the former store. As a result, we had six Retail Stores respectively located in Causeway Bay, Tsim Sha Tsui, Mongkok, Shatin, Yuen Long and Tsuen Wan during the year ended 31 March 2017.
4. During the six months ended 30 September 2017, we opened three Retail Stores in Quarry Bay, Tuen Mun and Tseung Kwan O. As a result, we had nine Retail Stores respectively located in Causeway Bay, Tsim Sha Tsui, Mongkok, Shatin, Yuen Long, Tsuen Wan, Quarry Bay, Tuen Mun and Tseung Kwan O as at the Latest Practicable Date.

Breakeven and return on investment

Our Directors consider a Retail Store has achieved a breakeven point when the monthly revenue is at least equal to its monthly expenses. During the Track Record Period, our new Retail Stores generally required approximately one month to reach the breakeven point.

Our Directors also consider that the investment payback period for a Retail Store is in general the average time it takes for the accumulated net profit of a Retail Store from the commencement of operation to cover costs incurred for opening and operating that particular Retail Store during the period, including the incurred capital expenditures and ongoing cash and non-cash operating expenses but excluding the rental deposit of the Retail Store which will be returned to us upon expiration of the relevant tenancy agreements.

As at the Latest Practicable Date, all of our existing Retail Stores had achieved the investment payback point which was, on average, approximately one to three months from their respective commencement of business. Our Retail Store in Central, which was closed in March 2016, had achieved breakeven point and investment payback point in the first month and the fourth month after its commencement of business respectively. Based on our Directors' experience, our Directors note that the time required for each Retail Store to achieve a breakeven point and investment payback point is dependent upon the market conditions and the number of products available for sale. Similar to our existing Retail Stores, we expect that our new Retail Stores will offer similar products and have similar operating and marketing strategies. In addition, according to the F&S Report, the revenue for the skincare and cosmetics multi-brand specialty retailers market is expected to grow from 2016 to 2021. Therefore, we expect the average time for our new Retail Stores to achieve the breakeven point and investment payback point to be similar to our breakeven points and investment payback points during the Track Record Period.

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We expect that the opening of a new Retail Store in Hong Kong will require capital expenditure in the range of approximately HK\$0.5 million to approximately HK\$0.8 million. For opening each new Retail Store in Hong Kong, we expect the expenses for operations per month to range from approximately HK\$1.0 million to approximately HK\$2.0 million including mainly salaries and allowances of approximately HK\$60,000; rental expenses in the range of approximately HK\$81,000 to approximately HK\$171,000; and additional inventories in the range of approximately HK\$0.7 million to approximately HK\$1.5 million. The amount of such expenditures depends on the size and location of the Retail Stores and is estimated with reference to our historical records and quotation recently obtained. When we evaluate the performance of our new Retail Store, we consider both the breakeven period and investment payback period.

To ensure there will be sufficient manpower and internal resources for the expansion of our Group's retail network with five new Retail Stores between the Listing Date and 31 March 2020 under our current expansion plan, our Group will use part of the net proceeds from the Share Offer to recruit new staff members, including a shop expansion manager, and for each Retail Store, a shop manager, a senior sales person, two full-time sales persons and one part-time sales person. For details, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

During the Track Record Period, none of our Retail Stores experienced an overall net loss over the term of the respective tenancy. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, revenue generated from the sale of our products through our Retail Stores amounted to approximately HK\$44.9 million, HK\$76.9 million, HK\$96.9 million and HK\$53.9 million, respectively, accounting for approximately 94.1%, 95.6%, 95.7% and 97.5% of our Group's revenue generated from the sale of our products, respectively.

Our Directors confirm that all the Retail Stores opened during the Track Record Period were financed by our internal resources.

Online Shop

We operate our Online Shop at www.mimingmart.com. Our Online Shop contains our product catalogue, which includes information, photos, ingredients, usage, features, benefits and videos of our products. Our Online Shop allows our customers to learn more about our products including their ingredients and functions and purchase our products at any time and from anywhere in the world thereby optimising their shopping experience.

For the three years ended 31 March 2017 and for the six months ended 30 September 2017, revenue generated from the sale of our products through our Online Shop amounted to approximately HK\$1.8 million, HK\$2.8 million, HK\$3.4 million and HK\$1.1 million, respectively, accounting for approximately 3.9%, 3.5%, 3.4% and 2.0% of our Group's revenue generated from the sale of our products, respectively. Despite that a relatively small portion of our revenue was generated from sales through our Online Shop during the Track Record Period, our Directors believe that consumers can still look up our product information on our website at any time and anywhere in the world and compare the price and functionalities of our products with those offered by other retailers. Hence, our Online Shop helps bolster the sales in our Retail Store. Furthermore, it has the advantage of enabling us to reach out to more customers online in other parts of the world.

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As soon as our customers have paid for the products online generally through an online payment system, we will process their purchase order within three to four business days after confirmation of receipt of payment and arrange the delivery of the products by courier or mail.

Out of the revenue generated from the sale of our products through our Online Shop during the Track Record Period, a respective sum of approximately HK\$23,000, HK\$35,000 and HK\$7,000 and nil was generated from the customers who purchased our products online and requested us to ship the products to their addresses in the PRC by postal or courier services. Apart from these online sales, our Group had not shipped any of our products to the PRC during the Track Record Period. After seeking the opinion from our PRC Legal Advisers, our Directors note that it is the online PRC customers who are liable to pay the custom tax and import tax and shall apply for commodity inspection if they purchase goods abroad and the goods are shipped to the PRC by post or courier service and take the view that given that our Group's business does not fall within the scope of cross-border e-commerce as defined in the relevant PRC regulations, the publication of the Announcement Issuing the List of Commodities for Cross-border E-commerce Retail Imports (《關於公佈跨境電子商務零售進口商品清單的公告》) (the "Announcement on Cross-border E-commerce") for the implementation of taxation policy for cross-border e-commerce retail imports in April 2016 does not apply to, and would not have any impact on, our Group's business. Furthermore, we had not experienced any decrease in revenue or gross profit during the Track Record Period after the implementation of the Announcement on Cross-border E-commerce.

Products sold through our Online Shop would not constitute a termination event under the relevant exclusive distribution agreements.

Our Directors take the view that any sale of products by our Group via our Online Shop would not constitute a termination event or cause any infringement on the exclusive distribution right of our Group under the relevant exclusive distribution agreements due to the following reasons:–

1. *Exclusive distribution right regarding the "Synergie Skin" and "Synergie Minerals" branded products:* Apart from Hong Kong, the relevant exclusive distribution agreement entered into between our Group and Synergie also covers the PRC, Taiwan and Macau. Hence, the sale of "Synergie" products to customers located in the PRC, Taiwan and Macau via our Online Shop would fall within the ambit of the exclusive distribution agreement. Furthermore, according to the relevant exclusive distribution agreement, we can accept mail orders or online orders where the end-customers pay reasonable international mailing charges. As such, save for the free shipping promotions offered to the online customers from time to time, we request the online customers who purchase our products via our Online Shop to bear all international mailing charges. As to the free shipping promotions offered to online customers, Synergie has confirmed in writing that these promotions would not constitute a breach of the distribution agreement. Furthermore, we are forbidden to supply the "Synergie" products to any person outside the exclusive regions if we know or should reasonably know that the person would re-distribute the products outside the exclusive regions (i.e. Hong Kong, the PRC, Taiwan and Macau). Our Directors confirmed that to their best knowledge and belief, we had not sold any "Synergie" products to any online customers who requested us to ship the products outside these exclusive regions for onward sale of the products outside the exclusive regions.
2. *Exclusive distribution right regarding the "pHion" branded products:* The relevant exclusive distribution agreement does not impose any restriction on our Group from selling the products via our Online Shop.

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3. *Exclusive distribution right regarding the “Mayella” and “Secret Garden” branded products:* According to the relevant exclusive distribution agreement, our Group may distribute the products through our Online Shop operated in Hong Kong. Therefore, the sale of “Mayella” and “Secret Garden” branded products through our Online Shop would not constitute a breach of the distribution agreement.
4. *Exclusive distribution right regarding the “Snow Fox” branded products:* The relevant exclusive distribution agreement entered into between our Group and Spa Monkeys Limited covers Hong Kong. According to the exclusive distribution agreement, we can accept mail orders or online orders where the end-customers pay reasonable international mailing charges. As such, save for the free shipping promotions offered to the online customers from time to time, we request the online customers who purchase our products via our Online Shop to bear all international mailing charges. As to the free shipping promotions offered to online customers, Spa Monkeys Limited has confirmed in writing that these promotions would not constitute a breach of the distribution agreement. Furthermore, we are forbidden to supply the “Snow Fox” products to any person outside the exclusive region if we know or should reasonably know that the person would re-distribute the products outside the exclusive region (i.e. Hong Kong). Our Directors confirmed that we had not sold any “Snow Fox” products to any online customers who requested us to ship the products outside the exclusive region that we knew would re-distribute the products outside the exclusive region.
5. *Exclusive distribution right regarding the “Plabeau” branded products:* The relevant exclusive distribution agreement entered into between our Group and Plabio Co., Ltd covers Hong Kong. According to the exclusive distribution agreement, we may accept online or mail orders to any person for personal use outside the exclusive region provided that Plabio Co., Ltd has not notified our Group of any exclusive distributor at the destination region. We are forbidden to supply the “Plabeau” products to any person outside the exclusive region if we know or should reasonably know that the person would re-distribute the products outside the exclusive region (i.e. Hong Kong) for purposes beyond personal use. Our Directors confirmed that we had not sold any “Plabeau” products to any online customers who requested us to ship the products outside the exclusive region that we knew would re-distribute the products outside the exclusive region.

Consignment sales

To complement our self-operated Retail Stores and Online Shop, we also sell our products via Independent Third Party consignees. This allows us to broaden our sales network. For each of the three years ended 31 March 2017 and for the six months ended 30 September 2017, revenue generated from our consignment sales amounted to approximately HK\$0.9 million, HK\$0.6 million, HK\$0.3 million and HK\$0.1 million, respectively, which accounted for approximately 2.0%, 0.7%, 0.3% and 0.2% of the revenue generated from the sale of our products, respectively. We had two consignees in Hong Kong and one in Macau for the sale of our products at the beginning of the Track Record Period. In July 2016, we entered into a consignment arrangement with a new consignee in Hong Kong. We ceased the consignment sale arrangement with three consignees in Hong Kong due to the closure of the store of a consignee in August 2015 and the expiration of the consignment contract with two consignees in December 2015 and July 2017, respectively.

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As at the Latest Practicable Date, we had one consignee in Macau. All consignment sales were invoiced and settled in Hong Kong dollar and the consignee generally settles our invoices monthly. Under the consignment sales arrangement, the related risk and ownership of the products remain with us until the products are sold by the consignee to its customers. The consignment sales will be recognised as our revenue when the products are sold to the customers through the consignee.

Distributor

To expand the geographic coverage of our products and complement our self-operated Retail Stores and Online Shop, we granted a non-exclusive distributorship right to a distributor in Taiwan in October 2015 for the sale of “Synergie Skin” and “Synergie Minerals” branded products in Taiwan. For the two years ended 31 March 2017 and for the six months ended 30 September 2017, the revenue generated from the distributor amounted to approximately HK\$0.2 million, approximately HK\$0.6 million and approximately HK\$0.2 million, which accounted for approximately 0.2%, 0.6% and 0.3% of our revenue generated from the sale of our products, respectively.

During the Track Record Period, all distribution sales were invoiced and settled in Hong Kong dollar before the delivery of the products to the distributor. The related risk and ownership will remain with us until the products are despatched to the distributor from Hong Kong.

Our Group entered into a distribution agreement with the distributor in respect of the distribution arrangement on 9 December 2016 retrospectively.

Principal terms of the distribution agreement

Term of the agreement	: The period from 9 December 2016 to 31 March 2017, which was renewed for one year from 1 April 2017, and thereafter will extend automatically for a successive one year renewal period if the condition in “Condition for renewing the agreement” below is satisfied.
Territory	: Taiwan
Exclusivity	: Non-exclusive
Rights and obligations of our Group	: Our Group shall sell certain “Synergie Skin” and “Synergie Minerals” branded products to the distributor for re-sale in Taiwan.
Rights and obligations of the distributor	: The distributor shall be solely responsible for the compliance of all laws and regulation of the distribution territory, i.e. Taiwan, in relation to importing and selling the relevant products in Taiwan.

During the term of the agreement, the distributor is allowed to display the trademark of Synergie in its marketing materials.

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Notwithstanding the above, the distributor shall obtain our Group's prior written consent before launching any marketing materials involving Synergie, "mi ming mart" or Ms. Erica Yuen.

Goods return arrangements	:	The product cannot be returned to us other than due to quality issue. Any defective products may be returned to us for exchanging within seven days upon the distributor's receipt of the product.
Sales and inventory reports and estimates	:	The distributor shall provide a sales report for the preceding month on the 15th day of each month.
Minimum purchase amounts	:	There is no requirement in relation to a minimum purchase amount by the distributor.
Payment method	:	Our Group shall deliver the products to the distributor upon receipt of the full payment invoice.
Condition for terminating the agreement	:	Four months' written notice
Condition for renewing the agreement	:	Renewal is subject to the distributor fulfilling the sales target specified in the agreement or by mutual agreement.

During the Track Record Period, the sales through the distributor in Taiwan amounted to approximately nil, HK\$152,000 and HK\$582,000 and HK\$186,000, accounting for approximately 0.0%, 0.2% and 0.6% and 0.3% of our revenue, from the sale of our products, respectively.

CUSTOMERS

Customer membership programme

To promote customer loyalty and encourage repeat purchases, we launched a customer membership programme whereby information and/or catalogues on products or events are provided to our members through electronic means such as email, direct marketing or short message services ("SMS"). As at the Latest Practicable Date, we had more than 80,000 registered members. Our members may gain stamps based on the amount spent at our Retail Stores and Online Shop. When a certain number of stamps have been collected, the members may then apply the stamps for a specified amount for payment of a purchase. The stamps are normally valid for six months from the issue date.

We also issue coupons from time to time to our customers. Some of these coupons entitle the holders to purchase a specific product at a discount whereas some of the coupons will entitle the holder to purchase any of our exclusive branded products at our Retail Stores at a discount. These coupons are generally valid for three months from the date of issue.

For the three years ended 31 March 2017 and for the six months ended 30 September 2017, approximately 93.7%, 97.2%, 96.3% and 96.6% of our total revenue was generated from the customers who had been registered under our membership programme, respectively.

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Apart from those names, email addresses and telephone numbers provided by some of our customers when they applied for registration as members under our membership programme, we are not provided with further information from them. Furthermore, those customers who have been registered as our members may not update or provide their email addresses, telephone numbers or other personal particulars to us; and there are customers who have not been registered as our members whose personal particulars, such as age, nationality, place of domicile or gender are unknown to us. With the limited information from our customers, we are unable to perform any demographic analysis or segmentation of our customers.

Five largest customers

Owing to the nature of our business, during the Track Record Period, our customers were mainly retail customers consisting of individuals from the general public, a few bulk purchase customers as well as the distributor in Taiwan. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, revenue from our five largest customers who had been registered under our membership programme (inclusive of the bulk purchase customers and the distributor in Taiwan) was approximately HK\$1.2 million, HK\$1.7 million, HK\$2.4 million and HK\$1.3 million, respectively, representing approximately 2.6%, 2.1%, 2.4% and 2.4% of our total revenue, respectively. All of our five largest customers during the Track Record Period are Independent Third Parties.

During the Track Record Period and up to the Latest Practicable Date, save for the distribution agreement with the distributor in Taiwan, we had not sold products to any customer pursuant to any long-term supply contract which had subsisted for more than one year in respect of the products with our customers.

Our bulk purchase customers

As at the Latest Practicable Date, we have entered into framework agreements with three customers who are individuals from the PRC. We set out below the material terms of the framework agreements:

Term of the agreement	One year from the date of the agreement with option to renew for further one year by written agreement of the parties.
Price and payment	The price of the products shall be determined by the parties upon negotiation from time to time. All prices of our products are free on board (F.O.B) Hong Kong. We shall arrange for dispatch of the products to the customers in Hong Kong upon receipt of payment in full and all transactions are settled in Hong Kong.
Non-competition	The customer irrevocably agrees not to engage or involve in selling, supplying or promoting our products in Hong Kong.
Obligations	There is no minimum purchase or sale obligation imposed on the customer or our Group.

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The customer shall be responsible for all costs of shipment, insurance, unloading and transportation and shall fulfil any obligations imposed on the customer as an importer of the country of destination, including but not limited to any customs restrictions, licensing requirements, transportation procedures, payment, insurance, surcharge, custom tariff, quantity restrictions, foreign exchange control, product liability, product safety requirements, trademark and so on, to ensure that the importation and sale of our products comply with the applicable laws and regulations in the country of destination.

Return policy

The customer must notify us of any mistakes or defect within 7 days of receipt of the products for exchange. The customer must provide evidence of defects and reason of exchange in writing within 7 days of receipt of the products. Save for the above, we shall not be liable for any refund or exchange.

Termination clause

Either party may terminate the agreement by 14 days written notice, or in the event that there is a fundamental breach of the agreement by a party, the other party may terminate the agreement immediately.

The following table sets forth the revenue generated from our respective bulk purchase customers for the years and period indicated:

	2015			For the year ended 31 March 2016			2017			For the six months ended 30 September 2017		
	Approximate percentage to our total revenue	Approximate effective discount rate per customer	Approximate effective discount rate per customer	Approximate percentage to our total revenue	Approximate effective discount rate per customer	Approximate effective discount rate per customer	Approximate percentage to our total revenue	Approximate effective discount rate per customer	Approximate effective discount rate per customer	Approximate percentage to our total revenue	Approximate effective discount rate per customer	Approximate effective discount rate per customer
	Revenue (HK\$'000)	revenue (%)	customer (Note) (%)	Revenue (HK\$'000)	revenue (%)	customer (Note) (%)	Revenue (HK\$'000)	revenue (%)	customer (Note) (%)	Revenue (HK\$'000)	revenue (%)	customer (Note) (%)
Customer A	329	0.7	27.9	1,101	1.4	35.4	1,528	1.5	37.7	973	1.7	37.9
Customer B	724	1.5	20.2	275	0.3	22.1	90	0.1	18.2	-	-	-
Customer C	46	0.1	29.5	82	0.1	28.1	97	0.1	29.5	23	0.1	30.0
Total	1,099	2.3		1,458	1.8		1,715	1.7		996	1.8	

Note: The effective discount rate per customer is calculated by dividing the discount amount by the revenue generated from such customer (before deducting the discount amount).

In view of the amounts of purchase from these three PRC bulk purchase customers during the Track Record Period, our Directors take the view that it is possible that they would re-sell our products in the PRC. Once our Group has sold the products to these bulk purchase customers, the title of these products would then be passed to these customers and our Group has no right or obligation to restrict the customers from re-selling the products to any third party in the PRC. As all the sale of our products to these bulk purchase customers during the Track Record Period took place in Hong Kong, if these bulk purchase customers resold our products in the PRC, the PRC Legal Advisers advised that it is these bulk

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purchase customers who are subject to the relevant laws and regulations in the PRC with respect to tax, consumer rights and product liability in relation to the sale of our products in the PRC. As the revenue generated from the bulk purchase customers represents approximately 2.3%, 1.8%, 1.7% and 1.8% for each of the three years ended 31 March 2017 and the six months ended 30 September 2017, respectively, our Directors consider that bulk purchase customers have no significant impact on the sales of our Group's products.

Our Directors confirmed that our Group had no material dispute with our customers during the Track Record Period and up to the Latest Practicable Date.

PRODUCTS

The products sold by us may be broadly divided into three main categories, namely, (i) skincare products; (ii) cosmetic products; and (iii) food and health supplements. The following table sets forth the breakdown of the sale of our products by product category for the three years ended 31 March 2017 and for the six months ended 30 September 2017:

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Skincare	34,246	71.9	58,139	72.3	72,186	71.3	31,708	68.3	40,865	73.9
Cosmetics	6,141	12.9	8,264	10.3	12,346	12.2	6,103	13.1	5,572	10.1
Food and health supplements	5,292	11.1	9,802	12.2	9,066	9.0	5,326	11.5	5,102	9.2
Others ^(Note)	1,956	4.1	4,177	5.2	7,573	7.5	3,293	7.1	3,780	6.8
Total	47,635	100.0	80,382	100.0	101,171	100.0	46,430	100.0	55,319	100.0

Note: Other products mainly include (i) personal care products like deodorant and hair products; (ii) other general merchandise; (iii) any product or set of products that cannot be singly classified as a skincare product, cosmetic product or food and health product; and (iv) the sales generated from any single sale of product(s) referred to in (i), (ii) and (iii) above after deducting the face value of the discount coupon (where no designated product is specified) used for such purchase.

As at the Latest Practicable Date, we had over 300 different kinds of products in over 35 brands available for sale. During the Track Record Period, we were the exclusive distributors of products of the brands, "Synergie Skin" and "Synergie Minerals" in Hong Kong, the PRC, Macau and Taiwan; "pHion" in Hong Kong and Macau; "Mayella", "Secret Garden" and "Snow Fox" in Hong Kong. In December 2017, we became the exclusive distributor of the brand "Plabeau" in Hong Kong. We believe our diverse product range enables us to target customers with different tastes and preferences.

(i) Skincare products

Skincare products mainly include face care products such as serums, cleansing products, face masks, toners, sunblocks and moisturisers and body-care products such as bath and shower products, hand creams, body moisturisers and sunblocks. As at the Latest Practicable Date, we had more than 140 skincare products under 25 brands for sale. Our Directors are of the view that the product life cycle (i.e. being the period of time over which a product is developed, brought to market and eventually removed from the market) for skincare products will generally be around five to eight years.

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The table below sets forth our major skincare products for sale during the Track Record Period:

Sample product photo	Product name	Key ingredients	Packaged in <i>Capsule/tablet/ml/g/pcs</i>	Retail price as at the Latest Practicable Date <i>HK\$</i>	Revenue			For the six months ended 30 September 2017 <i>HK\$'000</i>
					For the year ended 31 March			
					2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	
	Synergie Skin Vitamin B	Niacinamide, Panthenol (Provitamin B5)	10ml - 30ml	298 - 765	5,097	6,758	12,093	7,398
	Synergie Skin Ultimate A	Stabilised Retinol (Rovisome™), Witch Hazel	10ml - 30ml	345 - 890	3,584	6,498	7,730	5,403
	Synergie Skin MasquErase	Phycosaccharide™, Niacinamide, Canadian Willowherb, Hyaluronic Acid	30ml - 50ml	450 - 650	1,766	5,902	3,973	968
	Synergie Skin Uberzinc	Zinc Oxide, Tocopherol (Vitamin E), Camellia Sinensis (Green Tea) Leaf Extract	30ml	480	1,551	1,991	2,362	1,922
	Synergie Skin SuperSerum	Juveleven™ peptide, Phycosaccharide™, Trylagen® peptide, Snap-8™ peptide,	10ml - 30ml	390 - 1035	1,540	3,283	4,675	2,432
	Secret Garden Rose Squalene Serum (now known as Mayella Olivane Repair Serum- Rose Infusion)	Olivane™ Serum, Camellia Sinensis (Green Tea), Rose Damascena (Rose Otto Essential Oil)	10ml - 50ml	195 - 780	1,508	2,132	709	460
	Synergie Skin UltraCleanse	Cocoamidopropyl Betaine, Sodium PCA, D-alpha Tocopherol (Vitamin E)	50ml	220	448	933	878	486
	Snow Fox Arctic Breeze Detox Cooling Mask	Leuconostoc/Radish Root Ferment Filtrate, Rosa Damascene Flower Water	5pcs	240	-	-	-	898

BUSINESS

(ii) Cosmetic products

Cosmetic products mainly include make-up and cosmetic tools. As at the Latest Practicable Date, we had more than 50 cosmetic products in 8 brands for sale. Our Directors are of the view that the product life cycle for cosmetics products will generally be around five to eight years.

The table below sets forth our major cosmetic products offered by us for sale during the Track Record Period:

Sample product photo	Product name	Key ingredients	Packaged in <i>Capsule/tablet/ml/g</i>	Retail price as at the Latest Practicable Date <i>HK\$</i>	Revenue			For the six months ended 30 September 2017 <i>HK\$'000</i>
					For the year ended 31 March			
					2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	
	Synergie Minerals Second Skin Crush	Zinc Oxide, Titanium Dioxide	8g	520	2,428	1,514	2,791	1,435
	Synergie Minerals Mineral Whip	Zinc Oxide, Titanium Dioxide, Squalene	20g	520	315	1,534	1,689	595
	Synergie Minerals BB-Flawless	Zinc Oxide, Titanium Dioxide, Niacinamide	30ml	520	1,023	483	1,396	470
	Priori Botanical Complex Finishing Touch	Zea Mays Starch, Iron Oxide, Camellia Sinensis Leaf Extract	12g	480	559	945	1,175	512
	Synergie Minerals Kabuki Brush with Pouch	Acrylic	N/A	298	316	325	724	338
	Synergie Minerals Lipsync-C	Zinc Oxide, Titanium Dioxide, Stabilised Vitamin C	8g	280	114	462	474	80
	Synergie Minerals HydroBlush	Titanium Dioxide, Mica, Magnesium Stearate	8g	310	–	407	353	73
	Vapour Siren Lipstick	Organic Ricinus Communis Seed Oil, Organic Cera Alba, Castor Isostearate Beeswax Succinate	3.1g	225	–	–	–	308

BUSINESS

(iii) Food and health supplements

Food and health supplements mainly consist of dietary supplements, fruit chips and teas. Health supplements are also known as dietary and nutritional supplements, referred to any instant of an orally consumed health product intended to supplement the diet. As at the Latest Practicable Date, we had more than 20 food and health supplement products under four different brands for sale. Our Directors are of the view that the product life cycle for food and health supplement products will generally be around five to eight years.

The table below sets forth our major food and health supplements offered by us for sale during the Track Record Period:

Sample product photo	Product name	Key ingredients	Packaged in <i>Capsule/tablet/ml/g</i>	Retail price as at the Latest Practicable Date <i>HK\$</i>	Revenue			For the six months ended 30 September 2017 <i>HK\$'000</i>
					For the year ended 31 March			
					2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	
	pHion Probiotic Blend	Bifidobacterium bifidum, Lactobacillus acidophilus, Bifidobacterium longum	60 capsules	240	594	1,423	1,794	1,112
	pHion Acid Drainage	Burdock Root Extract, Elder Flower Extract, Black Currant Fruit Extract, Linden Flower Extract	60 capsules	180	164	358	961	374
	Mayella Nourish Formulated Blend	Alfalfa, Barley Grass, Oat Grass, Wheat Grass	100g – 200g	225 – 336	–	1,903	935	353
	pHion Green Superfood	Organic Alfalfa Grass Powder, Organic Wheat Grass Powder, Spirulina Powder, Organic Barley Grass Powder	210g	320	517	758	621	284
	Mayella Acai Berry Beautiful	Acai Berry, Blackberries, Blueberries	100g – 200g	240 – 368	–	711	528	166
	pHion Master Cleanse Lemonade Diet	Lemon Juice, Cayenne Pepper Extract, Maple Syrup	960ml	320	261	144	695	437

BUSINESS

(iv) Other products

The products under this category mainly include personal care products like deodorant and hair products; and other general merchandise, such as detergents, high-end laundry products and mosquito repellent. As at the Latest Practicable Date, we had over 50 products in 17 brands classified under this category.

Those products or set of products that cannot be singly classified as a skincare product, cosmetic product or food and health supplements; and the sales generated from any single sale of products related to skincare and cosmetic products, food and health supplements after deducting the face value of the discount coupon (where no designated product is specified) used for such purchase are also classified under this category.

Brand Portfolio

During the Track Record Period, we were the exclusive distributor of the brands “Synergie Skin”, “Synergie Minerals”, “pHion”, “Mayella” and “Secret Garden” (the production and sale of which ceased in December 2016) and “Snow Fox” mainly in Hong Kong. In December 2017, we became the exclusive distributor of the brand “Plabeau” in Hong Kong. Each brand has its own features to cater for the need and preference of different consumers.

The following table sets forth a breakdown of our revenue generated from the sale of our products by the exclusive brands for the years and periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Exclusive brands										
Synergie Skin	20,863	43.8	42,574	53.0	51,450	50.9	24,323	52.4	30,072	54.4
Synergie Minerals	4,295	9.0	6,944	8.6	10,524	10.4	5,242	11.3	3,782	6.8
pHion	2,153	4.5	3,216	4.0	5,101	5.0	2,687	5.8	2,574	4.7
Mayella ^(Note 1)	–	–	2,565	3.2	2,659	2.6	988	2.1	1,229	2.2
Secret Garden ^(Note 1)	1,401	3.0	1,966	2.4	1,010	1.0	634	1.4	–	–
Snow Fox ^(Note 2)	–	–	–	–	–	–	–	–	30	0.1
Sub-total	28,712	60.3	57,265	71.2	70,744	69.9	33,874	73.0	37,687	68.2
Non-exclusive brands	18,923	39.7	23,117	28.8	30,427	30.1	12,556	27.0	17,632	31.8
Total	47,635	100.0	80,382	100.0	101,171	100.0	46,430	100.0	55,319	100.0

Notes:

1. In December 2016, the brand owner of “Secret Garden” shifted its focus to promoting the “Mayella” brand and since then, ceased production and sale of skincare products under this brand.
2. We began selling “Snow Fox” branded skincare products on a non-exclusive basis since May 2017. During this period, the revenue generated from the sale of “Snow Fox” branded products amounted to approximately HK\$1.4 million. We obtained the exclusive distributorship of “Snow Fox” branded products in Hong Kong on 26 September 2017. From 26 to 30 September 2017, the revenue generated from the sale of “Snow Fox” branded products amounted to approximately HK\$30,000.

BUSINESS

Synergie Skin

Owned by Synergie, it is primarily a skincare product brand and its major skincare products include cleansers, moisturisers, serums, products for specific skin conditions and sun protection products. This brand belongs to the same owner as “Synergie Minerals” and offers mass products, mid to high-end products to premium products, which are all imported from Australia and mainly targets customers who have a preference for quality skincare products with naturally based ingredients which are free of parabens, phthalates, PEG’s, artificial colours and synthetic fragrances.



Synergie Minerals

It is another brand that belongs to Synergie. It is primarily a cosmetic product brand and its major cosmetic products include foundations, lipsticks and cosmetic tools. This brand offers mass products to mid to high-end products, which are all imported from Australia and mainly targets customers who have a preference for quality cosmetic products with naturally based ingredients which are free of parabens, phthalates, PEG’s, artificial colours and synthetic fragrances.



pHion

It is an American health supplement brand owned by Apex Wellness Group, LLC and its major health supplements include products with ingredients such as alkaline minerals and probiotic blend. Products are all imported from the US and mainly target health conscious individuals.



Mayella

It is an Australian skincare product and health supplement brand owned by Pro Bio Skin Pty Ltd. Its major skincare products are its natural botanical skincare products, which are mass to mid to high-end products all imported from Australia, mainly targeting customers who have a preference for quality and natural based skincare products made with its own formulas. According to the official website of the brand owner of Mayella, its products are made with ingredients free of palm oil, genetically modified organisms, parabens, petrochemicals, synthetics, harmful chemicals, artificial flavours, colours or fragrances.



Secret Garden

It is owned by the same brand proprietor as Mayella. It is a skincare product brand and its major skincare product is serum, which is a mid to high-end product. Products under this brand are all imported from Australia and mainly target customers who have a preference for skincare products with naturally based ingredients. In December 2016, its brand owner shifted its focus to promoting the “Mayella” brand and since then, ceased production and sale of skincare products under this brand in December 2016.

Snow Fox

It is a skincare product brand owned by Spa Monkeys Limited. Its major skincare products include cleansers, moisturisers and masks, which are mid to high-end products, mainly targeting customers who have a preference for quality and natural based skincare products. According to the official website of Snow Fox, its skincare products are plant-based formulas designed for hypersensitive skin and do not contain typically used chemicals such as parabens, sodium lauryl sulphate, synthetic colours or petrochemicals.



SEASONALITY

During the three years ended 31 March 2017, we generally derived a higher amount of revenue generated from sale of our products in August and December and a lower amount in April, September and November. Our respective average monthly revenue generated from the sale of our products during peak months, being August and December, accounted for approximately 11.7%, 10.7% and 11.7% of our revenue generated from the sale of our products for the three years ended 31 March 2017, respectively. Our respective average monthly revenue generated from the sale of our products during low months, being April, September and November, accounted for approximately 6.0%, 6.7% and 6.7% of our revenue generated from the sale of our products for the three years ended 31 March 2017, respectively. Our Directors believe that this seasonal pattern is primarily due to the historical pattern consumers' spending during our anniversary sale in August and the festive season in December when we launch our Christmas sale.

PRICING STRATEGY

We adopt a cost-plus pricing model in determining the price of our products. We consider the procurement costs, sales and marketing cost, the expected profit margins, the prevailing foreign currency rates, the expected level of sales, the perceived market trend and demand, and the market analysis of the retail price of similar products to ensure that our price is competitive in the market. Although we may conduct marketing research and engage external laboratories to test the products, we do not include the relevant costs in pricing the products.

For the products offered for sale by some suppliers in our Retail Stores or Online Shop on a consignment basis, the consignor will determine the pricing of the products. We are entitled to the consignment commission based on the amount of sales of the consignor's products and the predetermined percentage as agreed by the consignor and us.

Promotion sale

We offer promotions and discounts on selected products from time to time after considering the inventory level, shelf-life of the products, profit margin and market reception of the products and we generally have bigger promotional campaigns in August and December.

Discounts offered to certain customers

We may offer discounts, which range from 10% to 38% to bulk purchase customers in order to capture a larger market share of our products. The extent of the discount is at the discretion of our Directors based on (i) the relationship between individual customer and our Group; (ii) the negotiation between the customer and our Group; (iii) the quantity of the products being purchased; and (iv) the market sentiment in the relevant period. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, our revenue generated from the sale of our products to these bulk purchase customers amounted to approximately HK\$1.1 million, HK\$1.5 million, HK\$1.7 million, and HK\$1.0 million, representing approximately 2.3%, 1.8%, 1.7% and 1.8% of the sales of our products, respectively.

BUSINESS

PRODUCT RETURN AND EXCHANGE AFTER SALE

We generally do not allow product returns or offer any warranty for our products.

Generally, products sold to our customers are not refundable except for product quality reasons. Sales refunds from our customers amounted to approximately 0.006%, 0.001%, 0.007% and 0.001% of our total revenue for each of the three years ended 31 March 2017 and for the six months ended 30 September 2017, respectively. We generally allow customers' requests for product exchange within seven days after purchase. Any request for products exchange made after this seven-day period will not be accepted unless its is due to product quality reasons and approved by our sales manager. During the Track Record Period, we had not been subject to any material product liability claim nor did we have any material product return, product exchange or product recall. We have not experienced any material customer complaints with respect to our product quality during the Track Record Period.

SUPPLIERS

During the Track Record Period, we entered into exclusive distribution agreements with suppliers including Synergie, Apex Wellness Group, LLC, Pro Bio Skin Pty Ltd and Spa Monkeys Limited pursuant to which we were granted the exclusive right to sell and distribute their products in the territories specified in the exclusive distribution agreements. In December 2017, we became the exclusive distributor of the brand "Plabeau" in Hong Kong. Apart from these suppliers, we source a wide spectrum of products from a list of approved suppliers, including brand owners, authorised distributors of the products in Hong Kong and trading companies in Hong Kong. Our Directors confirm after making all reasonable enquiries, during the Track Record Period, we did not purchase any parallel imported goods from overseas dealers or parallel importers.

The purchase orders between our Group and our suppliers usually specify the name of the products, quantities, price and manner of payment, credit terms, shipping terms and the estimated date of delivery.

The following table sets forth the number of suppliers of our Group from whom we have made purchases in terms of the type of products supplied during the Track Record Period:

	For the year ended 31 March			For the six months ended
	2015	2016	2017	30 September 2017
Skincare products	19	18	22	23
Cosmetic products <i>(Note 1)</i>	8	8	8	7
Food and health supplements <i>(Note 2)</i>	7	9	6	4
Others <i>(Note 3)</i>	13	12	10	9
Total	47	47	46	43

BUSINESS

Notes:

- (1) For the two years ended 31 March 2016, five suppliers of cosmetic products were also suppliers of skincare products, respectively. For the year ended 31 March 2017 and for the six months ended 30 September 2017, six suppliers of cosmetic products were also suppliers of skincare products, respectively.
- (2) For the three years ended 31 March 2017 and for the six months ended 30 September 2017, a supplier of skincare product was also a supplier of food and health supplements, respectively.
- (3) For the year ended 31 March 2015, three suppliers of other products were also suppliers of skincare products. For the year ended 31 March 2016, four suppliers of other products were also suppliers of skincare products. For the year ended 31 March 2017 and for the six months ended 30 September 2017, five suppliers of other products were also suppliers of skincare products.

The following table sets forth the number of suppliers of products purchased by us in terms of their geographical location during the Track Record Period:

	For the year ended		For the	
	31 March		six months	
	2015	2016	2017	ended
				30 September
				2017
Australia	2	2	2	2
US	5	6	4	4
Hong Kong	30	27	28	25
Others (Note)	1	2	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	38	37	34	31
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: These suppliers mainly include the suppliers from Macau and Japan.

Selection of suppliers

As at the Latest Practicable Date, our Group maintained a list of suppliers. When selecting a supplier, our management considers various factors, including the supplier's possession of necessary and valid requisite licences, permits or approvals for the sale of a particular kind of product or a branded product, reputation in the industry, and the relevant product pricing and costs involved. As our Group does not undertake parallel-importing, to verify the identity and capacity of the suppliers in offering products to us, we request the suppliers to provide us with proof of valid authorisation or licence from the brand owners, manufacturers, master licensees or the authorised dealers; or we conduct trademark searches. If necessary, we may enquire with the brand owners to verify the supplier's capacity to sell products to us and the origin of the products, and/or conduct site visit on the suppliers.

BUSINESS

We actively look for new suppliers by attending beauty and health product trade fairs and exhibitions, regularly visiting beauty and health product websites or through exporter/trader magazines. Once we have explored a potential supplier, our Group will at the beginning generally place orders with it with a relatively low quantity of items. Once the supplier has demonstrated to us that it can deliver quality products to us in a timely manner and in good condition, we will consider continuing our business with such supplier.

Over the years of our Group's operation, we have built up long-term business relationships with suppliers across different regions of the world for the supply of products in different product categories. The purchase amount from each of our suppliers varies from time to time.

Our top five suppliers

We have maintained long term business relationships with our suppliers. The business relationships between our Group and our top five suppliers during the Track Record Period range from around five months to nine years. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, the aggregate purchases from our Group's top five suppliers accounted for approximately 65.3%, 72.7%, 67.7% and 65.3% of our total purchases, respectively.

All of our top five suppliers during the Track Record Period are Independent Third Parties. None of our Directors or any existing shareholder holding more than 5% of our issued share capital, or their respective close associates, had any interest in any of our five largest suppliers for the three years ended 31 March 2017 and for the six months ended 30 September 2017.

We had not experienced any material shortage or delay of supply during the Track Record Period.

No fixed pricing term or pre-agreed pricing formula has been adopted for each type of products in the supply agreements entered into between us and the respective suppliers. The conclusion of our product prices is subject to our negotiation with the individual supplier from time to time. During the Track Record Period, we had not been subject to material price increases by our major suppliers, and we believe that in the event of price increases, we have the ability to respond to a portion of the price increase by raising the prices of our products.

The credit terms granted to us by our suppliers are typically for a period up to 40 days from the invoice date. We pay our suppliers on a timely basis and maintain a good credit track record with them.

BUSINESS

The following tables set forth certain information about our top five suppliers during the Track Record Period:

For the year ended 31 March 2015

Supplier	Principal business	Location	Business started from	Products purchased	Approximate percentage to our total purchase (%)	Credit terms (days)	Settlement method
Synergie	Brand owner and manufacturer of skincare and cosmetic products	Australia	April 2011	Skincare and cosmetic products under the brands of “Synergie Skin” and “Synergie Minerals”	39.2	3 days from the invoice date	Wire transfer
Totale Limited	Authorised distributor of skincare products	Hong Kong	February 2009	Skincare products under the brand of “Botani”	10.4	Semi-monthly settlement on 5th and 20th day of each month for the preceding half month	Wire transfer
Evie International Limited	Wholesaler of skincare and personal care products	Hong Kong	September 2009	Skincare and cosmetic products under the brand of “evie”	6.2	Monthly settlement	Wire transfer
Perfection Medical Co., Limited	Trading company of health supplements	Hong Kong	July 2014	Health supplements under the brand of “Agel”	5.2	Monthly settlement	Wire transfer
Apex Wellness Group, LLC	Brand owner of health supplements	US	January 2009	Food and health supplements under the brand of “pHion”	4.3	Payment upon delivery	Credit card payment
Total					65.3		

BUSINESS

For the year ended 31 March 2016

Supplier	Principal business	Location	Business started from	Products purchased	Approximate percentage to our total purchase (%)	Credit terms (days)	Settlement method
Synergie	Brand owner and manufacturer of skincare and cosmetic products	Australia	April 2011	Skincare and cosmetic products under the brands of “Synergie Skin” and “Synergie Minerals”	46.0	3 days from the invoice date	Wire transfer
Totale Limited	Authorised distributor of skincare products	Hong Kong	February 2009	Skincare products under the brand of “Botani”	8.4	Semi-monthly settlement on 5th and 20th day of each month for the preceding half month	Wire transfer
Pro Bio Skin Pty Ltd	Brand owner of skincare products, food and health supplements	Australia	February 2012	Skincare products and health supplements under the brands of “Mayella” and “Secret Garden”	7.1	Payment prior to shipment	Wire transfer
Evie International Limited	Wholesaler of skincare and personal care products	Hong Kong	September 2009	Skincare and cosmetics products under the brand of “evie”	6.3	Monthly settlement	Wire transfer
Apex Wellness Group, LLC	Brand owner of health supplements	US	January 2009	Food and health supplements under the brand of “pHion”	4.9	Payment upon delivery	Credit card payment
Total					72.7		

BUSINESS

For the year ended 31 March 2017

Supplier	Principal business	Location	Business started from	Products purchased	Approximate percentage to our total purchase (%)	Credit terms (days)	Settlement method
Synergie	Brand owner and manufacturer of skincare and cosmetic products	Australia	April 2011	Supply of skincare and cosmetic products under the brand of “Synergie Skin” and “Synergie Minerals”	41.9	3 days from the invoice date	Wire transfer
Anthea Ana International Limited	Brand owner of various kinds of skincare products	Hong Kong	July 2016	Skincare products under the brand of “evie”	7.4	Monthly settlement	Wire transfer
Totale Limited	Authorised distributor of skincare products	Hong Kong	February 2009	Skincare products under the brand of “Botani”	7.3	Semi-monthly settlement on 5th and 20th day of each month for the preceding half month	Wire transfer
Apex Wellness Group, LLC	Brand owner of health supplements	US	January 2009	Food and health supplements under the brand of “pHion”	6.4	Payment upon delivery	Credit card payment
Allura Limited	Authorised distributor of various kinds of skincare and personal care products	Hong Kong	September 2016	Skincare and other products	4.7	Monthly settlement	Wire transfer
Total					67.7		

BUSINESS

For the six months ended 30 September 2017

Supplier	Principal business	Location	Business started from	Products purchased	Approximate percentage to our total purchase (%)	Credit terms (days)	Settlement method
Synergie	Brand owner and manufacturer of skincare and cosmetic products	Australia	April 2011	Supply of skincare and cosmetic products under the brand of “Synergie Skin” and “Synergie Minerals”	42.8	3 days from the invoice date	Wire transfer
Allura Limited	Authorised distributor of various kinds of skincare and personal care products	Hong Kong	September 2016	Skincare and other products	6.8	Monthly settlement	Wire transfer
Spa Monkeys Limited	Brand owner of skincare products	Hong Kong	May 2017	Skincare products under the brand of “Snow Fox”	5.9	Monthly settlement	Wire transfer
Anthea Ana International Limited	Brand owner of various kinds of skincare products	Hong Kong	July 2016	Skincare products under the brand of “evie”	5.0	Monthly settlement	Wire transfer
Totale Limited	Authorised distributor of skincare products	Hong Kong	February 2009	Skincare products under the brand of “Botani”	4.8	Semi-monthly settlement on 5th and 20th day of each month for the preceding half month	Wire transfer
Total					65.3		

Payment to suppliers

Our purchases from suppliers are generally settled by way of cheque, credit card or wire transfer upon delivery of the products. Our accounting department is responsible for processing all payments to suppliers. We usually settle our payments to suppliers upon receipt of the products or on a bi-monthly or monthly basis. In case of consignors, we will settle the commission with our consignors on a monthly basis after the products are actually sold by us to the customers.

During the Track Record Period, most of the purchases made from our suppliers were denominated and settled in Australian dollar, Hong Kong dollar or US dollar. On the other hand, our customers settled the selling price of our products in Hong Kong dollar. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, approximately 39.2%, 46.0%, 41.9% and 42.8% of our total purchases were settled in Australian dollar, respectively, and approximately 8.4%, 14.5%, 11.6% and 11.2% of our total purchases were settled in US dollar, respectively. The exchange rate of the Australian dollar against Hong Kong dollar depreciated from approximately 7.24 in August 2014 to approximately 5.90 in March 2015, and fluctuated thereafter between approximately 5.35 to 6.34 throughout the period up to and ending at approximately 6.10 as at 29 December 2017. During the Track Record Period, we had not maintained any hedging policy in respect of our exposure to fluctuation in Australian dollar. Our purchases made in Australian dollar are translated into Hong Kong dollar at prevailing rate relevant at the time of settlement of the transaction or settled with the Australian dollar maintained by us. Fluctuations in foreign exchange rates may materially and adversely affect the financial condition and results of operations of our Group which is a risk set out under the paragraph headed “Risk factors — Risks relating to our business — We are exposed to fluctuations in foreign currency exchange rates” in this prospectus. Our Directors consider that our policy to maintain sufficient Australian dollar for payment of purchases for about three months and keeping of about two months’ inventory, with reference to our historical sales, will provide us with a sufficient buffer to minimise our exposure to the fluctuation in Australian dollar. If the exchange rate of Australian dollar against Hong Kong dollar continues to rise, we will consider (i) extending the period of maintenance of sufficient Australian dollar for payment of purchases to six months and keeping of inventory to three months; and (ii) raising our selling price of the products and pass on the additional cost to our customers. Our management team will continue to monitor our foreign currency exchange exposure and will take prudent measures to minimise our currency translation risk exposure.

None of our Directors, chief executive or any of their respective associates or, so far as our Directors are aware, any Shareholder who owns 5% or more of our issued share capital had any interest in any of our top five suppliers during the Track Record Period.

Our major suppliers are (i) brand proprietors; and (ii) authorised distributors of the branded products. We also act as consignee for Independent Third Party consignors, who place their products for sale via our sales network.

BUSINESS

Exclusive distributorship

We are able to secure long-term exclusive distribution agreements with our major suppliers for a steady supply of products. During the Track Record Period, we were the exclusive distributors of the brands “Synergie Skin” and “Synergie Minerals” in Hong Kong, PRC, Macau and Taiwan; “pHion” in Hong Kong and Macau; and “Mayella”, “Secret Garden” and “Snow Fox” in Hong Kong. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, our Group’s aggregate purchases from the suppliers, which granted exclusive distribution right to us to sell their products, accounted for approximately 45.8%, 58.0%, 52.2% and 50.6% of our purchases, respectively. In December 2017, we became the exclusive distributor of the brand “Plabeau” in Hong Kong.

The following table sets forth certain background information about the suppliers of our products who have granted our Group an exclusive distribution right as at the Latest Practicable Date:

Name of suppliers	Name of branded products	Types of product purchased	Commencement of business relationship	Place of incorporation of suppliers
Synergie	Synergie Skin, Synergie Minerals	Skincare products, cosmetic products	April 2011	Australia
Apex Wellness Group, LLC	pHion	Food and health supplements	January 2009	US
Pro Bio Skin Pty Ltd	Mayella, Secret Garden	Skincare products, food and health supplements	February 2012	Australia
Spa Monkeys Limited	Snow Fox	Skincare products	May 2017	Hong Kong
Plabio Co., Ltd	Plabeau	Skincare products	December 2017	Republic of Korea

At at the Latest Practicable Date, the percentage of our Group’s product portfolio under the respective distributorship for Synergie, Apex Wellness Group, LLC, Pro Bio Skin Pty Ltd, Spa Monkeys Limited and Plabio Co., Ltd was approximately 25.0%, 2.5% and 2.5%, 0.9% and 0.6%, respectively.

All the shareholders and directors of Synergie, Apex Wellness Group, LLC, Pro Bio Skin Pty Ltd, Spa Monkeys Limited and Plabio Co., Ltd are Independent Third Parties to our Group and have no relationship with our Directors and Controlling Shareholders.

Save for the suppliers of the branded products “Synergie Skin”, “Synergie Minerals”, “pHion”, “Mayella”, “Secret Garden”, “Snow Fox” and “Plabeau”, we had not entered into any long-term distribution agreements with any of our suppliers during the Track Record Period and as at the Latest Practicable Date.

We set out below the material terms of the exclusive supply agreement with the above suppliers as at the Latest Practicable Date:

Name of the exclusive brand proprietor	: Synergie	Apex Wellness Group, LLC	Pro Bio Skin Pty Ltd	Spa Monkeys Limited	Plabio Co., Ltd
Date of the current agreement	: 15 September 2017	25 October 2016	9 September 2016	26 September 2017	19 December 2017
Brand of Products	: Synergie Skin, Synergie Minerals	pHion	Mayella, Secret Garden	Snow Fox	Plabeau
Term and renewal	: Ten years from 15 September 2017, which will extend automatically for successive five years renewal period unless otherwise agreed between the parties	Three years from 25 October 2016, such term may be renewed by written agreement of the parties	Three years from 9 September 2016, which will continue on a yearly basis unless otherwise terminated	Three years from 26 September 2017 which will extend automatically for successive three years renewal period unless otherwise agreed between parties	Two years from 19 December 2017 which will extend automatically for successive one year renewal period unless otherwise agreed between parties
Geographic coverage	: Hong Kong, the PRC, Taiwan and Macau	Hong Kong and Macau	Hong Kong	Hong Kong	Hong Kong
Minimum purchase amount by our Group	: A cumulated amount (after discount) of AUD200,000 per calendar year We are entitled to a progressive cumulative discount rate on certain products when calculating the wholesale price of the products if our purchase of products in the preceding six months exceeded the pre-determined amount set out in the agreement.	Average of 1,000 bottles of the products under the “pHion Nutraceutical Supplement” product line per month during any rolling three-month period	Not applicable	A cumulated amount (after discount) of HK\$900,000 per half year (April to September and October to March) We are entitled to a progressive cumulative discount rate on certain products when calculating the wholesale price of the products if our purchase of products in the preceding six months exceeded the pre-determined amount set out in the agreement.	A cumulated quantity of 10,000 units in the first eighteen months from 19 December 2017; or a cumulated quantity of 20,000 units in the first twenty-four months We are entitled to a marketing rebate on certain products if our purchase of products exceeded 5,000 units in each anniversary of the agreement

Name of the exclusive brand proprietor		Synergie	Apex Wellness Group, LLC	Pro Bio Skin Pty Ltd	Spa Monkeys Limited	Plabio Co., Ltd
Penalty for non-compliance with such minimum purchase amount		In the event that we are not able to fulfil the minimum purchase requirement, we will have six months to remedy. If we fail to remedy, Synergie may, at its absolute discretion, revoke our exclusivity to distribute its products but Synergie shall continue to supply the products to us. We shall remain a non-exclusive distributor of the products in the authorised territory.	In the event that our Group does not purchase an average of 1,000 bottles of the relevant products per month during any rolling 3-month period during the term of the agreement, Apex Wellness Group, LLC, in its sole discretion, may relocate the distribution point, which is currently situated on the West Coast of the US in order to minimise our shipping costs. The failure (if any) does not entitle Apex Wellness Group, LLC to terminate our exclusive right to distribute its products and hence, its impact on our Group's business will not be significant.	Not applicable	In the event that we are not able to fulfil the minimum purchase requirement, we will have six months to remedy. If we fail to remedy, Spa Monkeys Limited may, at its absolute discretion, revoke our exclusivity to distribute its products but Spa Monkeys Limited shall continue to supply the products to us. We shall remain a non-exclusive distributor of the products in the authorised territory.	In the event that we are not able to fulfil the minimum purchase requirement, Plabio Co., Ltd may, in its absolute discretion, revoke our exclusivity to distribute its products but Plabio Co., Ltd will continue to supply the products to us. We will remain a non-exclusive distributor of the products in the authorised territory.
Product return policy		We must notify Synergie within three business days of arrival for return of damaged or faulty or defective products	We must ship the relevant products to Apex Wellness Group, LLC along with a "Return Goods Authorisation" and the dated proof of purchase within 45 days of receipt of such defective products or products with an expiration date of less than six (6) months	We must notify the Pro Bio Skin Pty Ltd of any mistakes or defects within five business days of physically receiving the ordered products. For any such mistake or defect, Pro Bio Skin Pty Ltd will be responsible for their removal and replacement within a reasonable time.	We must notify Spa Monkeys Limited within three business days of arrival for return of damaged or faulty or defective products	We must notify Plabio Co., Ltd within ten business days of receipt for return of damaged or faulty or defective products

Name of the exclusive brand proprietor	: Synergie			
	Apex Wellness Group, LLC	Pro Bio Skin Pty Ltd	Spa Monkeys Limited	Plabio Co., Ltd
Product liability	Not specifically mentioned in the agreement Synergie must effect and maintain appropriate and adequate insurance of (i) public and product liability; (ii) loss or destruction at full replacement cost of the relevant products relating to the distribution agreement and retained in Synergie's possession; and (iii) any other insurance required by law in Australia. We must effect and maintain at our own cost appropriate and adequate insurance for (i) loss or destruction of the relevant products relating to the distribution agreement and retained in our possession; and (ii) any other insurance required by law in the relevant territory.	Pro Bio Skin Pty Ltd must effect and maintain appropriate and adequate insurance of the relevant products from a reputable insurer acceptable to us for (i) product liability covering both Australia and the relevant territory, for a sum of not less than AUD1 million for each insured event; (ii) loss or destruction (at full replacement cost) of the relevant products relating to the distribution agreement which are retained in the Pro Bio Skin Pty Ltd's possession or whilst in transit; and (iii) any other insurance required by law or as reasonably required by us. We must effect and maintain at our own cost appropriate and adequate insurance for (i) loss or destruction of the relevant products relating to the distribution agreement and retained in our possession; and (ii) any other insurance required by law in Hong Kong.	Spa Monkeys Limited must effect and maintain appropriate and adequate insurance for (i) public and product liability; (ii) loss or destruction at full replacement cost of the products relating to the distribution agreement and retained in Plabio Co., Ltd's possession; and (iii) any other insurance required by law in the Republic of Korea. We must effect and maintain at our own costs appropriate and adequate insurance for (i) loss or destruction of the relevant products relating to the distribution agreement and retained in our possession; and (ii) any other insurance required by law in Hong Kong.	Plabio Co., Ltd must effect and maintain appropriate and adequate insurance for (i) public and product liability; (ii) loss or destruction at full replacement cost of the products relating to the distribution agreement and retained in Plabio Co., Ltd's possession; and (iii) any other insurance required by law in the Republic of Korea. We must effect and maintain at our own costs appropriate and adequate insurance for (i) loss or destruction of the relevant products relating to the distribution agreement and retained in our possession; and (ii) any other insurance required by law in Hong Kong.
Product liability insurance	Not specifically mentioned in the agreement Maintained by Synergie and us	Maintained by Pro Bio Skin Pty Ltd	Maintained by Spa Monkeys Limited and us	Maintained by Plabio Co., Ltd and us

Name of the exclusive brand proprietor		: Synergie			
Our obligation in relation to compliance with laws and regulations		Apex Wellness Group, LLC	Pro Bio Skin Pty Ltd	Spa Monkey's Limited	Plabio Co., Ltd
We must comply with all laws and other requirements in respect of the sale, distribution and packaging of the products including all consumer laws and health labeling requirements in Hong Kong		We must comply with all laws and other requirements in respect of sale, distribution and packaging of the relevant products including all consumer protection laws and health labeling requirements in Hong Kong	We warrant to abide by all applicable laws in Hong Kong in relation to the sale of the relevant products.	We must comply with all laws and other requirements in respect of the sale, distribution and packaging of the products including all consumer laws and health labeling requirements in Hong Kong	We must comply with all laws and other requirements in respect of the sale, distribution and packaging of the products including all consumer laws and health labeling requirements in Hong Kong
As confirmed by our Directors, at the time when our Group and Synergie entered into the exclusive distribution agreement, both Synergie and our Group had no plan to develop the market in the PRC for the Synergie products until Synergie has obtained the necessary licence(s) and permit(s) required for the relevant products to be imported to the PRC. As such, for the sake of clarity and avoid imposing any unnecessary obligation on our Group, both parties agreed that our Group would not be required to comply with the applicable laws and requirements in the PRC under the distribution agreement as no "Synergie" products would be directly imported to the PRC by our Group until Synergie has obtained the relevant licence(s) and permit(s).		Not specifically mentioned in the agreement	We warrant to abide by all applicable laws in Hong Kong in relation to the sale of the relevant products.	We must comply with all laws and other requirements in respect of sale, distribution and packaging of the relevant products including all consumer protection laws and health labeling requirements in Hong Kong	We must comply with all laws and other requirements in respect of the sale, distribution and packaging of the products including all consumer laws and health labeling requirements in Hong Kong

Name of the exclusive brand proprietor	Synergie	Apex Wellness Group, LLC	Pro Bio Skin Pty Ltd	Spa Monkeys Limited	Plabio Co., Ltd
Use of trademarks	Synergie has granted us a limited right to use the trademarks “Synergie Minerals” and “Synergie Skins” (which are the exclusive property of Synergie) and any variations of them, in the relevant authorised territory for the term of the relevant distribution agreement for the sole purposes of selling, marketing and distributing the relevant products under the relevant agreement provided that we must obtain Synergie’s approval before using the relevant trademarks or any aspect of the trademarks in the selling, marketing and distribution of the relevant products.	Apex Wellness Group, LLC has granted us a non-exclusive, non-transferable right and licence to use the copyrights, trademarks, trade names and/or service marks identified or associated with the relevant products or used by Apex Wellness Group, LLC solely in connection with the sale, distribution or promotion of the relevant products.	Pro Bio Skin Pty Ltd has granted us the right to use the brand names and brand logo of the relevant products on our website, repackaging material, advertising and other promotional materials during the term of the agreement.	Spa Monkeys Limited has granted us a limited right to use the trademarks “Snow Fox” (which are the exclusive property of Spa Monkeys Limited) and any variation of them, in Hong Kong for the term of the relevant distribution agreement for the sole purpose of selling, marketing and distributing the relevant products provided that Plabio Co., Ltd shall have the right to review and approve promotional, advertising, packaging or other materials bearing or using the trademark or any aspect of the trademark prior to such use by us.	Plabio Co., Ltd has granted us a limited right to use the trademark “Plabeau” (which is the exclusive property of Plabio Co., Ltd) and any variation of them, in Hong Kong for the term of the relevant distribution agreement for the sole purpose of selling, marketing and distributing the relevant products provided that Plabio Co., Ltd shall have the right to review and approve promotional, advertising, packaging or other materials bearing or using the trademark or any aspect of the trademark prior to such use by us.

Name of the exclusive
brand proprietor

: Synergie

Indemnity

: Synergie will be liable for and continually indemnifies us against all loss suffered or incurred as a result of a breach of the relevant distribution agreement by Synergie, or anything that Synergie or its employees, agents or representatives do or fail to do under or in connection with the relevant agreement. This includes, among others, any loss caused by any defective products provided by Synergie.

We will be liable for and continually indemnify Synergie against all loss suffered or incurred by Synergie as a result of a breach of the relevant distribution agreement by Inwell, or anything that Inwell or its employees, agents or representatives do or fail to do under or in connection with the relevant agreement.

Apex Wellness Group, LLC

Apex Wellness Group, LLC shall indemnify us against claiming loss or injury of any nature whatsoever, resulting from any defect in any relevant product or use of any relevant product.

We shall indemnify Apex Wellness Group, LLC against any claims, losses, costs, damages or liabilities to third parties, resulting from the performance or nonperformance by us.

Pro Bio Skin Pty Ltd

Pro Bio Skin Pty Ltd shall indemnify us and hold us, our directors, officers, employees and agents harmless from and against any claims, demands, losses, damages, costs (including legal costs), expenses and liabilities, relating directly or indirectly to any breach of any warranty or obligation by Pro Bio Skin Pty Ltd under the relevant agreement, except to the extent caused or contributed to by any negligent act or omission of our Group, or our officers, employees and agents. This indemnification shall survive the termination of relevant agreement.

We shall indemnify Pro Bio Skin Pty Ltd and hold Pro Bio Skin Pty Ltd, its directors, officers, employees and agents harmless from and against any claims, demands, losses, damages, costs (including legal costs), expenses and liabilities, relating directly or indirectly to any breach of any warranty or obligation by us under the relevant agreement, except to the extent caused or contributed to by any negligent act or omission of Pro Bio Skin Pty Ltd, its officers, employees and agents.

Spa Monkeys Limited

Spa Monkeys Limited will be liable for and continually indemnifies us against all loss suffered or incurred as a result of a breach of the relevant distribution agreement by Spa Monkeys Limited, or anything that Spa Monkeys Limited or its employees, agents or representatives do or fail to do under or in connection with the relevant agreement. This includes, among others, any loss caused by any defective products provided by Spa Monkeys Limited.

We will be liable for and continually indemnify Spa Monkeys Limited against all loss suffered or incurred by Spa Monkeys Limited as a result of a breach of the relevant distribution agreement by Inwell, or anything that Inwell or its employees, agents or representatives do or fail to do under or in connection with the relevant agreement.

Plabio Co., Ltd

Plabio Co., Ltd will be liable for and continually indemnifies us against all loss suffered or incurred by us as a result of a breach of the relevant distribution agreement by Plabio Co., Ltd. This includes, among others, any loss caused by any defective products provided by Plabio Co., Ltd.

We will be liable for and continually indemnify Plabio Co., Ltd against all loss suffered or incurred by Plabio Co., Ltd as a result of a breach of the relevant distribution agreement by Inwell.

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Name of the exclusive brand proprietor		: Synergie		Apex Wellness Group, LLC	Pro Bio Skin Pty Ltd	Spa Monkey's Limited	Plabio Co., Ltd
Credit term		: Within 3 days of the invoice date		Not applicable: we shall pay invoices immediately prior to shipment.	Net 5 days or monthly settlement depending on the purchase amount.	Before the 10th day of each month for all invoices of the prior month	We shall pay the invoices within 15 business days from the date of receipt of the invoices.
Payment method		: Payment method is not specifically mentioned in the agreement but we are required to pay invoices in Australian dollar		Prepayment by credit card, wire transfer or by other prepayment as approved by Apex Wellness Group, LLC prior to shipment	Not specifically mentioned in the agreement	Not specifically mentioned in the agreement	Not specifically mentioned in the agreement
Price adjustment provision		: Not specifically mentioned in the agreement		Not specifically mentioned in the agreement	Not specifically mentioned in the agreement	Not specifically mentioned in the agreement	Not specifically mentioned in the agreement
Breach of the relevant agreement		: If either party breaches its obligation under the agreement and does not remedy the breach (to the extent that it can be remedied) within 30 days of receiving a written notice from the non-defaulting party specifying the breach and requiring it to be remedied, then the non-defaulting party may terminate the agreement immediately by written notice.		Not specifically mentioned in the agreement	Not specifically mentioned in the agreement	If either party breaches its obligation under the agreement and does not remedy the breach (to the extent that it can be remedied) within 60 days of receiving a written notice from the non-defaulting party specifying the breach and requiring it to be remedied, then the non-defaulting party may terminate the agreement immediately by written notice.	If either party breaches its obligation under the agreement and does not remedy the breach (to the extent that it can be remedied) within 60 days of receiving a written notice from the non-defaulting party specifying the breach and requiring it to be remedied, then the non-defaulting party may terminate the agreement immediately by written notice.
		If either party breaches an essential term of the agreement which cannot be remedied, then the non-defaulting party may terminate the agreement immediately by written notice.				If either party breaches an essential term of the agreement which cannot be remedied, then the non-defaulting party may terminate the agreement immediately by written notice.	If either party breaches an essential term of the agreement which cannot be remedied, then the non-defaulting party may terminate the agreement immediately by written notice.

Name of the exclusive brand proprietor	: Synergie	Apex Wellness Group, LLC	Pro Bio Skin Pty Ltd	Spa Monkey's Limited	Plabio Co., Ltd
Termination clauses	: Either party may terminate the relevant agreement for cause immediately by written notice to the other party upon occurrence of certain event as specified in the agreement.	Either party may terminate the agreement without cause by giving written notice of such termination to the other party at least 180 days.	At the end of the initial period the agreement will continue on a yearly basis unless it is terminated by either party giving not less than 3 months written notice to the other to expire at the end of the initial period or of any subsequent period. Termination shall not relieve either party of obligations incurred prior thereto.	Either party may terminate the relevant agreement for cause immediately by written notice to the other party upon occurrence of certain event as specified in the agreement.	Either party may terminate the relevant agreement for cause immediately by written notice to the other party upon occurrence of certain event as specified in the agreement.
	Synergie may terminate the relevant distribution agreement for cause immediately by written notice to our Group upon occurrence of any of the following events:	Apex Wellness Group, LLC may terminate the relevant agreement for "cause" immediately upon the occurrence of the following events, unless the breach or failure is duly rectified in the manner set out in the exclusive distribution agreement:		Spa Monkey's Limited may terminate the relevant distribution agreement for cause immediately by written notice to our Group upon occurrence of any of the following events:	Plabio Co., Ltd may terminate the relevant distribution agreement for cause immediately by written notice to our Group upon occurrence of any of the following events:
	(i) We are in breach of our obligations under the relevant distribution agreement and fail to remedy the breach within the prescribed time;	(i) Our Group fails in any material respect to perform our responsibilities as set forth in the agreement or otherwise breaches any material provision of the agreement;		(i) We are in breach of our obligations under the relevant distribution agreement and fail to remedy the breach (to the extent that it can be remedied) within 60 days of receiving a written notice of breach from Spa Monkey's Limited;	(i) We are in breach of our obligations under the relevant distribution agreement and fail to remedy the breach (to the extent that it can be remedied) within 60 days of receiving a written notice of breach from Plabio Co., Ltd;
	(ii) We are in breach of an essential term of the relevant distribution agreement which cannot be remedied;			(ii) We are in breach of an essential term of the relevant distribution agreement which cannot be remedied;	(ii) We are in breach of an essential term of the relevant distribution agreement which cannot be remedied;
				(iii) We cease or indicate that we are about to cease, carrying on our business or any part of our business which Spa Monkey's Limited reasonably considers will adversely affect the distribution of the relevant products; or	(iii) We cease or indicate that we are about to cease, carrying on our business or any part of our business which Plabio Co., Ltd reasonably considers will adversely affect the distribution of the relevant products; or
				(iv) Inwell is the subject of an insolvency event.	(iv) Inwell is the subject of an insolvency event.

Name of the exclusive brand proprietor	Synergie	Apex Wellness Group, LLC	Pro Bio Skin Pty Ltd	Spa Monkeys Limited	Plabio Co., Ltd
	(iii) We commit multiple or recurring breaches of the relevant distribution agreement whether or not remedied;	(ii) Our Group or any of our employees makes any misrepresentation regarding the products or Apex Wellness Group, LLC or commits any immoral, illegal, or unprofessional conduct in connection with our business, our duties under the agreement, and/or the products;		Our Group may terminate the relevant distribution agreement with Spa Monkeys Limited for cause immediately by written notice to Spa Monkeys Limited upon occurrence of any of the following events:	Plabio Co., Ltd may also terminate the agreement by providing a 60-day written notice to Inwell if Inwell is unable to fulfil the minimum purchase requirement stipulated in the agreement and the exclusivity has been revoked.
	(iv) We cease or indicate that we are about to cease carrying on our business or any part of our business which Synergie reasonably considers will adversely affect the distribution of the relevant products;	(iii) Our Group fails to secure or renew any license, permit, authorisation or approval for conduct of our business in any significant portion of the exclusive region, or if any such license, permit, authorisation or approval is revoked or suspended;		(i) Spa Monkeys Limited is in breach of its obligations under the relevant distribution agreement and fails to remedy the breach (to the extent that it can be remedied) within 60 days of receiving a written notice of breach from our Group;	Our Group may terminate the relevant distribution agreement with Plabio Co., Ltd for cause immediately by written notice to Plabio Co., Ltd upon occurrence of any of the following events:
	(v) There is a change in the effective control of Inwell; or				(i) Plabio Co., Ltd is in breach of its obligations under the relevant distribution agreement and fails to remedy the breach (to the extent that it can be remedied) within 60 days of receiving a written notice of breach from our Group;
	(vi) Inwell is the subject of an insolvency event.	(iv) Our Group seeks protection under any bankruptcy, receivership, trust deed, creditors' arrangement, composition or comparable proceeding, or if any such proceeding is instituted against our Group;		(ii) Spa Monkeys Limited is in breach of an essential term of the relevant distribution agreement which cannot be remedied;	(ii) Plabio Co., Ltd is in breach of an essential term of the relevant distribution agreement which cannot be remedied; or
		(v) Upon a change of 50% or more of the ownership or control of our Group or the dissolution or liquidation of our Group; or		(iii) Spa Monkeys Limited is unable to substantially satisfy any purchase order within a reasonable time; or	
		(vi) Upon the death or incapacity of Ms. Erica Yuen.		(iv) Spa Monkeys Limited is the subject of an insolvency event.	(iii) Plabio Co., Ltd is the subject of an insolvency event.

Name of the exclusive brand proprietor	: Synergie	Apex Wellness Group, LLC	Pro Bio Skin Pty Ltd	Spa Monkeys Limited	Plabio Co., Ltd
Our Group may terminate the relevant distribution agreement with Synergie for cause immediately by written notice to Synergie upon occurrence of any of the following events:		In the case of items (i), (ii) and (iii) above, if the breach, failure, violation, omission that would give Apex Wellness Group, LLC "cause" to terminate the agreement is capable of being cured by us, then Apex Wellness Group, LLC shall give us written notice of such breach, failure, violation, or omission and a reasonable period of time, not exceeding 30 days, in which to cure such breach, failure, violation, or omission before Apex Wellness Group, LLC may terminate the agreement for "cause".			
(i) Synergie is in breach of its obligations under the relevant distribution agreement and fails to remedy the breach (to the extent that it can be remedied) within 30 days of receiving a written notice of breach from our Group;					
(ii) Synergie is in breach of an essential term of the relevant distribution agreement or it commits a breach which cannot be remedied;					
(iii) Synergie is unable to substantially satisfy any purchase order within a reasonable time;					
(iv) Synergie is the subject of an insolvency event; or					
(v) There is a change in the person or persons in effective control of Synergie including any change in the underlying beneficial ownership of Synergie.					

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As at the Latest Practicable Date, our Group has appointed one non-exclusive distributor in Taiwan and one consignee in Macau for the sale of “Synergie” products.

As confirmed by our Directors, at the time when our Group and Synergie entered into the exclusive distribution agreement, both Synergie and our Group had no plan to develop the market in the PRC for the “Synergie” products until Synergie, as the brand owner and manufacturer of the “Synergie” products, has obtained the licence(s) and permit(s) required for the relevant products to be imported to the PRC. As such, our Directors believe that our Group will not lose the exclusive distributorship of Synergie products even if our Group has no current plan to expand such products into the PRC market. To the best knowledge and belief of our Directors, as of the Latest Practicable Date, Synergie had not yet applied for the licence(s) and permit(s) required for the relevant products to be imported to the PRC.

As at the Latest Practicable Date, our Group had one consignee in Macau who also sells, among other products, “pHion” branded products. Our Directors therefore believe that our Group will not lose the exclusive distributorship of “pHion” branded products as the relevant exclusive distribution agreement covers Hong Kong and Macau only.

Salient terms of the majority of the agreements entered into between us and other suppliers

The salient terms of the majority of the agreements with our suppliers, other than those suppliers who have granted exclusive distribution right of their products to us, are set forth as below:

1. Term and renewal	The agreements are generally for an initial term of one year or two years, and shall continue on a yearly basis unless terminated by either party.
2. Minimum purchase amount by our Group	Not specifically mentioned in the agreement.
3. Product return policy	We must notify the supplier of any mistake or defect within, generally five to seven business days of physically receiving the ordered products. For any such mistake or defect, the supplier will be responsible for their removal and replacement within a reasonable time. In case where the customer return is due to a defect of the product, the supplier will be responsible for their removal and replacement within a reasonable time.
4. Product liability insurance	Generally, the supplier shall or have the proprietor of the products effect and maintain appropriate and adequate insurance of the products from a reputable insurer acceptable to Inwell for product liability covering a sum of not less than HK\$5 million for each insured event with coverage in Hong Kong.
5. Our obligation in relation to compliance with laws and regulations	We agree to abide by all applicable laws in Hong Kong in relation to the sale of the products.

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6. Indemnity	The supplier shall indemnify us and hold us, our directors, officers, employees and agents harmless from and against any claims, demands, losses, damages, costs (including legal costs), expenses and liabilities, relating directly or indirectly to any breach of any warranty or obligation by the supplier under the agreement, except to the extent caused or contributed to by any negligent act or omission of Inwell, its officers, employees and agents. This indemnification shall survive the termination of the agreement.
	Inwell shall indemnify the supplier and hold the supplier, its directors, officers, employees and agents harmless from and against any claims, demands, losses, damages, costs (including legal costs), expenses and liabilities, relating directly or indirectly to any breach of any warranty or obligation by Inwell under the agreement, except to the extent caused or contributed to by any negligent act or omission of the supplier, its officers, employees and agents.
7. Credit term	Generally, payment has to be fully settled immediately before or upon delivery or to be fully settled by the end of the month we place orders.
8. Payment method	Not specifically mentioned in the agreement.
9. Payment adjustment provision	Not specifically mentioned in the agreement.
10. Breach of the agreement	Not specifically mentioned in the agreement.
11. Termination clause	At the end of the initial period of the agreement, the agreement will continue on a yearly basis unless it is terminated by either party giving not less than three months' written notice to the other to expire at the end of the initial period or of any subsequent period. Termination shall not relieve either party of obligations incurred prior thereto.

Consignor

We also act as a consignee for some suppliers when we start doing business with them. In such circumstances, the products of our consignors are sold at our Retail Stores or Online Shop on consignment basis whereby we are entitled to the consignment commission based on the amount of sales of the consignors' products and the predetermined percentage as agreed by the consignors and us. The consignor will determine the pricing of the products sold in our Retail Stores or Online Shop.

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For the three years ended 31 March 2017 and for the six months ended 30 September 2017, we received consignment commission (i.e. being the commission paid to us by the consignors who had placed their products at our Retail Stores and/or Online Shop for sale on a consignment basis) in the amount of approximately HK\$1.0 million, HK\$1.7 million, HK\$2.3 million and HK\$0.3 million, representing approximately 2.0%, 2.1%, 2.2% and 0.6% of our total revenue, respectively. This consignment commission will be recognised as our income when we have rendered our services (i.e. when the products consigned to us are sold).

Generally, we will only pay our consignor when the products are sold to the customer. In general, if the products are not sold and they will expire for the next nine months, we will return the products to the consignor.

The salient terms of the majority of the agreements with our consignors are set forth as below:

1.	Term and renewal	The terms of the agreement generally range from 1 month to 12 months.
2.	Geographic coverage	Not specifically mentioned in the agreements.
3.	Minimum purchase amount by our Group	Not applicable.
4.	Product return policy	Generally, we must notify the consignor of any defect within seven days of receipt of the products. All unopened products with defects may be returned to the consignor upon notification. Opened products may be returned to the consignor if customers develop skin reactions to the products. We may also return any products with damaged packaging and/or of poor quality within one month of receipt of the products. In the event that the agreement is terminated prior to the expiry date, Inwell agrees to return all products to the consignor.
5.	Insurance	Generally, we shall effect and maintain insurance for the products against theft and damages.
6.	Our obligation in relation to compliance with laws and regulations	Generally, we are not required to facilitate compliance with the laws and regulations.
7.	Indemnity	Generally, the consignor shall indemnify Inwell against any losses, damages, costs (including legal costs) and expenses arise from the use of the products.
8.	Credit term	Not applicable.

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9.	Commission	Generally a fixed percentage of the gross income from sales of the products unless otherwise determined by the parties.
10.	Settlement period	Generally Inwell shall submit the sales and stock reports on or before 10th of each month and Inwell agrees to pay the consignor's share of the income on or before 15th of the same month.
11.	Payment method	Generally, payment shall be made to the consignor by direct deposit or telegraphic transfer.
12.	Payment adjustment provision	Not applicable.
13.	Breach of the agreement	Not specifically mentioned in the agreement.
14.	Termination clause	Generally, at the end of the term of the agreements or they may be terminated by giving 15 days or one month notice by either party. Termination shall not relieve either party of obligations incurred prior thereto.

OUR RELATIONSHIP WITH SYNERGIE

Background of Synergie

Synergie was our largest supplier throughout the Track Record Period.

Synergie is the manufacturer, supplier and brand owner of skincare products and cosmetic products generally under the “Synergie Skin” and “Synergie Minerals” brands respectively. It is a registered company incorporated in Victoria, Australia in 2006. Its sole shareholder and sole director are Independent Third Parties to our Group and have no relationship with our Directors and Controlling Shareholders. Apart from “Synergie Skin” and “Synergie Minerals” brands which were developed in 2007, it also manufactures and sells skincare products and other products under other “Synergie” brands serving different target customers and are yet to be launched in Hong Kong. Pursuant to a confirmation issued by Synergie in favour of us dated 13 January 2017, Synergie irrevocably and unconditionally granted a first right of refusal to us to act as the exclusive distributor of its other products if it sells such products to the markets in Hong Kong, the PRC, Macau and Taiwan during the subsistence of our existing exclusive supply agreement with Synergie.

Synergie operates a factory in Victoria, Australia. As confirmed by Synergie, it has sufficient production capacity to manufacture skincare and cosmetic products under the respective brand of “Synergie Skin” and “Synergie Minerals” for the local market in Australia and its export sale, including the sale of the products to us for onward distribution in Hong Kong, the PRC, Macau and Taiwan even if our purchases increases substantially. Synergie had appointed other exclusive distributors in the US, New Zealand, Malaysia and the United Kingdom.

Purchases during the Track Record Period

During the Track Record Period, our purchases from Synergie, after deducting the discount given by Synergie, amounted to approximately HK\$8.4 million, HK\$15.8 million, HK\$17.4 million and HK\$9.9 million, representing approximately 39.2%, 46.0%, 41.9% and 42.8% of our total purchases, respectively. The discount given by Synergie during the Track Record Period was approximately HK\$2.3 million, HK\$3.9 million, HK\$6.3 million and HK\$3.8 million, representing approximately 21.3%, 19.7%, 26.6% and 27.9% of the total amount of purchases (before deducting the amount of discount), respectively. On the other hand, our revenue attributable to the sales of “Synergie Skin” and “Synergie Minerals” branded products (collectively “Synergie” products) amounted to approximately HK\$25.2 million, HK\$49.5 million, HK\$62.0 million and HK\$33.9 million during the Track Record Period, which accounted for approximately 52.8%, 61.6%, 61.3% and 61.2% of our revenue generated from the sale of our products for the respective year and period.

Our business relationship with Synergie

Our relationship with Synergie started in 2011 when we purchased products from it as its ordinary customer. We were appointed as the exclusive distributor of its products under the “Synergie Skin” and “Synergie Minerals” brands in the PRC, Hong Kong and Macau for a term of three years pursuant to a distribution agreement dated 31 July 2013, which was subsequently replaced and superseded by a distribution agreement dated 6 August 2015 (collectively the “**First Distribution Agreement**”) to amend some of the terms including, among others, Taiwan as one of the territories in which we have the exclusive right to distribute the Synergie products. The First Distribution Agreement was renewed on 27 September 2016 (the “**Second Distribution Agreement**”) and was subsequently replaced and superseded by a distribution agreement dated 15 September 2017 (together with the First Distribution Agreement and the Second Distribution Agreement, the “**Synergie Distribution Agreement**”) whereupon our exclusive distribution right was extended for ten years up to 14 September 2027, which will automatically be renewed for another term of five years up to 14 September 2032. For further details of the salient terms of the exclusive distribution agreement, please refer to the paragraph headed “Suppliers – Exclusive distributorship” in this section.

During the Track Record Period and up to the Latest Practicable Date, we had not received any notification from Synergie that we had breached any terms of the Synergie Distribution Agreement. Our appointment as Synergie’s exclusive distributor of its skincare and cosmetic products under the brands of “Synergie Skin” and “Synergie Minerals” in the PRC, Hong Kong, Macau and Taiwan has not been suspended since we were appointed as the exclusive distributor of its products in 2013. We had not encountered any difficulty in renewing the Synergie Distribution Agreement with Synergie.

Since our Group’s commencement of business with Synergie in 2011, our Group had shared similar philosophy with Synergie for offering quality skincare and cosmetic products that do not contain toxic or questionable ingredients. It has been working closely with our Group in terms of, among other things, product development, rolling-out and promoting new products. More importantly, Synergie is also the first brand owner of skincare and cosmetic products who granted the exclusive distribution right to our Group for distribution of its products in Hong Kong in July 2013 and is also able to provide a wider range of products than other brand owners. As such, our Directors decided to focus on promoting Synergie products among all its branded products in the first instance during the Track Record Period. As a result, our Group incurred significant expenses in marketing and promoting Synergie products during the Track Record Period.

Stable mutual and complementary reliance between Synergie and our Group

We consider that the commercial rationale for both Synergie and us to maintain a close and long-term business relationship with each other was as follows:

1. *We share similar philosophy with Synergie:* Both Synergie and our Group are striving to providing quality skincare and cosmetic products that do not contain toxic or questionable ingredients. Hence, we have been working closely in terms of product development, rolling-out and promoting new products of its products and even minute crucial issues such as adjusting the cosmetic colour to fit Asian skin tones. Synergie will sometimes send its representatives to Hong Kong to meet with us when there are new products to be launched in the market. If necessary, we also send our staff to Synergie's headquarter in Australia to obtain more information about its new products. Hence, we believe that apart from being an exclusive distributor of Synergie's products in Hong Kong, the PRC, Taiwan and Macau, we are also its valued partner.
2. *We have an established sales network to satisfy Synergie's plan to roll out its skincare and cosmetic products in Hong Kong and Synergie has a similar reliance on our purchases and efforts to promote and market its products in Hong Kong:* We believe that our stable relationship with Synergie was mainly due to our reputation, extensive knowledge and experience in Hong Kong's skincare and cosmetics multi-brand specialty retailers market, our ability to meet their requirements as well as our high standard of service quality.

Attributed to our ability to market and sell Synergie's products in Hong Kong, Synergie does not have to tap into the Hong Kong market by itself or appoint other retailers in Hong Kong to sell its products, which may give rise to conflicts among distributors or even cannibalisation in the Hong Kong market. We believe that Synergie benefits from appointing us as its exclusive distributor in Hong Kong, the PRC, Macau and Taiwan by saving on its operating cost. As confirmed by Synergie, Synergie's sales to our Group accounted for the majority of its sales outside Australia during the Track Record Period.

3. *The Synergie Distribution Agreement cannot be easily terminated by Synergie pursuant to the terms of the Synergie Distribution Agreement:* Pursuant to the Synergie Distribution Agreement, Synergie cannot terminate the Synergie Distribution Agreement unilaterally by serving notice to us without cause. Instead, it can terminate the Synergie Distribution Agreement with us only by reason of our default, such as our failure to remedy the breach, if any, of our obligations in the Synergie Distribution Agreement, our breach of an essential term of the Synergie Distribution Agreement, change of effective control of Inwell, cessation of our business or any part thereof which Synergie reasonably considers will adversely affect our distribution of Synergie's products, or insolvency. As such, unless any event of default specified in the Synergie Distribution Agreement has occurred or we fail to meet the minimum purchase per annum and we fail to remedy within six months, exclusive distribution right of the skincare products and cosmetic products under the "Synergie Skin" and "Synergie Minerals" brands will subsist up to 2027, when it will be extended for a further term of five years automatically thereafter up to 2032.

Based on the nature of the termination clause of the Synergie Distribution Agreement, the events of default which give rise to the termination of the Synergie Distribution Agreement will only be triggered by any wrongful act or default of our Group or our Group having ceased business or becoming insolvent, our Directors take the view, and the Sole Sponsor concurs, that the Synergie Distribution Agreement cannot be terminated by Synergie unilaterally.

4. *We have extensive knowledge in the products of Synergie:* During our long-term course of dealings with Synergie, we have made continuous purchase orders from Synergie and helped introducing and promoting its products in Hong Kong. Hence, we believe that Synergie regards us as its valued business partner and both of us have developed a mutual reliance and benefit in terms of cost effectiveness and service quality for rolling out, promoting and selling Synergie products in Hong Kong. Over the years of cooperation, our management staff have accumulated extensive knowledge in the operation standard, requirements and procedures of Synergie.
5. *Difficulties faced by Synergie in engaging other skincare and cosmetics multi-brand specialty retailers in Hong Kong in place of our Group:* To the best knowledge and belief of our Directors after making all reasonable enquiries with Synergie, our Directors note that the process of identifying and approving an exclusive distributor for Synergie could be time consuming and might result in unforeseen operational problems to Synergie as Synergie, being a manufacturer and brand-owner of the “Synergie Skin” and “Synergie Minerals” branded products, has its own criteria and protocol in its selection of services providers. Our Directors note that brand image serves as an important factor for consumers when selecting from a wide spectrum of skincare products and cosmetics products. Furthermore, we have a proven record in introducing and marketing Synergie products to the market in Hong Kong.

Given that Synergie has not established any retail stores or specialty counters in Hong Kong, the PRC, Taiwan, Macau and it has been relying on our Group to sell and promote its products in these regions, our Directors believe that it would be rather difficult for Synergie to replace our Group with another multi-brand specialty retailer in Hong Kong as we (i) have profound knowledge of Synergie’s products in terms of their ingredients, functions, marketing position and Synergie’s philosophy; (ii) provide specialised and tailor-made marketing events to promote Synergie’s products whereas other major players in Hong Kong’s skincare and cosmetics multi-brand specialty retailers are proprietors or exclusive distributors of a number of skincare products imported from overseas countries may not be able to spend as much time and effort as us to promote Synergie’s products; and (iii) have had about five years of close cooperation with Synergie and our Directors believe that Synergie has confidence in our ability to promote its products in Hong Kong and other regions and it is impracticable for Synergie to identify other skincare and cosmetics multi-brand specialty retailers to provide the same services with the same standards to promote its products.

In addition, our Directors are of the view that it is difficult for Synergie to replace our Group by engaging other skincare and cosmetics multi-brand specialty retailers if it cannot find a skincare and cosmetics multi-brand specialty retailer with a scale of operation comparable to us as (i) it would increase its administrative work and expenses if it has to arrange the sale and delivery of products to a number of skincare and cosmetics multi-brand specialty retailers and monitor or review the performance of these skincare and cosmetics multi-brand specialty retailers at one time; (ii) the number of retail shops operated by each of these skincare and cosmetics multi-brand specialty retailers may be less than our number of Retail Stores; and (iii) the skincare and cosmetics multi-brand specialty retailers may not be able to meet Synergie’s minimum purchase amount and other requirements from time to time.

Taking into account the above factors and observations, our Directors are of the view that it is both difficult and unlikely for Synergie to replace our Group without material negative impact on its sales in Hong Kong. In view of the stable mutual and complementary reliance between Synergie and our Group in the manner set out above and the facts that we were the largest international customer during the Track Record Period, our Group had not breached any terms of the exclusive distribution agreement including the minimum purchase amount, our long standing business relationship with Synergie and our wide retail network in Hong Kong, our Directors take the view that the Group would not lose the exclusivity term in the distribution agreement with Synergie in the future.

Our reliance on Synergie would not affect our business prospects and sustainability

Along with maintaining a stable long-term business relationship with Synergie, we have from time to time identified and taken on new suppliers or brand owners that develop, manufacture and supply skincare and cosmetic products which can meet our requirements in terms of their quality and functions. While our Directors confirmed that our Group has no intention to limit ourselves to purchasing products from Synergie in the future, having taken into account the following factors and measures taken by our Group, our Directors consider that our reliance on Synergie or the loss of Synergie would not have any significant adverse effect on our business prospects.

1. *We have established a reputation for offering quality beauty and health products.* Our Group has successfully established the brand of “mi ming mart” (“袁彌明生活百貨” or “彌明生活百貨”) for offering quality beauty and health products in Hong Kong. We began selling “Synergie” products in 2011 when “Synergie” was still a new brand in Hong Kong. Our successful introduction of “Synergie” products to the Hong Kong market is attributable to our efforts in marketing the “Synergie” brand, our retail network and our reputation for offering healthy and quality products to our customers. Hence, if we lose our exclusive right to sell “Synergie” products, our Group, with our reputation in the market, retail network and expertise, can avail our resources to launch and promote other branded products which meet our requirements in terms of their quality and functions. By that time, we can adjust our marketing strategy and focus our marketing resources to promote these alternative brands and products instead.
2. *Our experience in introducing and promoting Synergie’s products in Hong Kong facilitates us to look for other branded products from other suppliers:* Our business relationship with Synergie and track record in promoting its products can be regarded as a credit to our ability to bring new brands and products to the skincare and cosmetic market in Hong Kong, which is highly competitive and fragmented. This will in turn attract more potential brand owners and suppliers with a sizeable scale of operation, which adopt a stringent approach in their selection and sourcing of distributors in a region. Our Group’s marketing campaign in introducing and promoting “Synergie” products in Hong Kong since 2011 mainly included (i) producing videos in which our Ms. Erica Yuen and other members of our marketing team briefly explained the ingredients of the relevant “Synergie” products and shared their views on the “Synergie” products; and (ii) posting and sharing these videos introducing “Synergie” products and other branded products on the interactive online media and social networking platforms on a regular basis. On the other hand, we also deploy traditional marketing activities and media such as advertisements on billboards, signage, external body and/or in-cabin television on buses, television channels and online advertising to promote “Synergie”

products; inviting Mr. Gregory Wong (王宗堯), a well-known artist in Hong Kong, for the period from 30 April 2015 to 29 March 2016. Pursuant to our agreement with Mr. Wong's management company, Mr. Wong agreed to appear in our promotional materials and one promotional event and we shall be responsible for the costumes, make-up and hair-styling. We also distribute "Synergie" sample products to potential customers. Apart from those costs which cannot be allocated, such as the cost for producing videos for posting on the online media and social networking platforms and other advertisements containing multiple brands, the costs we incurred for promoting "Synergie" products in Hong Kong amounted to approximately HK\$0.8 million, HK\$2.8 million, HK\$0.7 million and HK\$2.0 million for each of the three years ended 31 March 2015, 2016 and 2017 and for the six months ended 30 September 2017, respectively. This marketing campaign had resulted in the brand awareness of and our Group's revenue generated from "Synergie" products during the Track Record Period. In addition, we believe that the development of our business relationship with Synergie enables us to better understand (i) the criteria and requirements and quality standard of overseas brand owners; and (ii) the key elements and strategies for effective management and operation which could be replicated to other suppliers. We consider our relationship with Synergie to be in line with our Group's strategy to focus on establishing long-term relationships with reputable brand-owners and suppliers. On the other hand, there is no restrictive covenant in the Synergie Distribution Agreement which forbids our Group to be the exclusive distributor or distributor of other skincare or cosmetic branded products. Therefore, we are free to look for other suppliers or brand owners of quality skincare and cosmetics products for sale in Hong Kong.

3. *Synergie relies on us to promote and sell its products in Hong Kong, the PRC, Taiwan and Macau:* Pursuant to the mutual reliance confirmation signed by Synergie in November 2016, Synergie confirmed that it relied heavily on us to reach customers in Hong Kong, the PRC, Taiwan and Macau and we have been the largest customer of Synergie during the Track Record Period and therefore, the reliance between Synergie and our Group has been mutual and complementary. Both Synergie and us expect to continue the business relationship between each other throughout the term of the Synergie Distribution Agreement.

To the best knowledge of our Directors after making all reasonable enquiries and, based on our past dealings with Synergie, it is noted that Synergie does not have its own retail store or other sales channel in these regions. Synergie can benefit from our sales channels without developing its own sales channel in such markets by having our Group as the exclusive distributor of its products in these regions. We have maintained a long and stable business relationship with Synergie for over five years without any interruption. We have not experienced any material dispute with Synergie so far. Our Group has already acquired sufficient understanding on the products and philosophy of Synergie. We met the minimum purchase requirements set by Synergie throughout the years of collaboration and our Directors believe that we can continue to do so in the future. In this regard, it is economically and commercially unreasonable for Synergie to change the current business relationship with our Group as Synergie may need to adapt to the operation model of the new skincare and cosmetics multi-brand specialty retailers and face the risk of interruption in its operation.

4. *Industry landscape:* According to the F&S Report, we ranked second among the small and medium segment of Hong Kong's skincare and cosmetics multi-brand specialty retailers market in 2016 in terms of revenue and as at the Latest Practicable Date, we operated nine Retail Stores in prime shopping areas and major local shopping areas in Hong Kong. Our Group is well-positioned in the skincare and cosmetics multi-brand specialty retailers market in Hong Kong. The F&S Report also mentioned that the retail value for the skincare and cosmetics multi-brand specialty retailers market in Hong Kong is expected to grow at a CAGR of approximately 7.0% from 2016 to 2021. Over our operating history, we have built up a good market reputation for offering quality beauty and health products and our Directors are of the view that we are well-prepared to take on new brand owners and suppliers and explore new business opportunities. Notwithstanding the recent slowdown in the retail and consumer market in Hong Kong, the retail value of skincare and cosmetic multi-brand specialty retailers market is expected to grow in the next few years, and our Directors are of the view that there are plenty of market opportunities available for our Group to further develop our pool of suppliers in the long run and reduce our reliance on Synergie.
5. *Transferability of our skills and the loss of Synergie, should it occur, would not become a significant adverse effect on our business and operations:* Our Group's business model and marketing skills in rolling out new products of brands which are yet to be known in the Hong Kong market are not specifically designed to cater solely for Synergie. In contrast, we are flexible and adaptable to serve different new products or brand owners' needs. In the unlikely event that our current business relationship with Synergie deteriorates or ceases, we shall still be able to avail our resources to serve other brand owners who have currently granted exclusive distribution right to us and new brand owners in a timely manner. Our Directors are of the view that our skills can be readily transferred to serve other potential new brand owners to satisfy their needs. Based on our past experience, we foresee that it would not incur significant costs if our Group re-allocates our resources to serve new brand owners. The preparation works required to serve new brand owners and fulfilling individual brand owners' requirements are not expected to incur any significant cost.
6. *Continue to identify potential brand owners and suppliers to broaden our revenue stream:* In the unlikely event that our current business relationship with Synergie deteriorates or ceases, we believe that with our Directors' experience, reputation and connection to the skincare and cosmetics multi-brand specialty retailers market in Hong Kong coupled with our stable long-standing business relationship with Synergie, other brand owners and suppliers, we would be able to respond to market challenges and adjust our business direction swiftly to face any new challenge. As a plan to diversify our pool of suppliers and broaden our revenue stream in the long run, we will continue to (i) maintain a close business relationship with Synergie; and (ii) identify potential brand owners and suppliers offering quality skincare and cosmetics products, which we consider to have good market potential and broaden our revenue stream. Our Directors believe that, with our experience and proven track record in the skincare and cosmetics multi-brand specialty retailers market and our established sales channels in Hong Kong, we will be able to replicate our success in the unlikely event that our relationship with Synergie deteriorates or ceases.

7. *Experienced and dedicated management team:* Our management team has extensive and in-depth knowledge of the skincare and cosmetics multi-brand specialty retailers market in Hong Kong. Our founder, chairlady, executive Director and chief executive officer, Ms. Erica Yuen and our executive Director, Ms. Mimi Yuen both have more than seven years of experience in the skincare and cosmetics multi-brand specialty retailers market in Hong Kong. We consider that they are important in driving our future business development.

To diversify our pool of suppliers, revenue generated from the sale of our other exclusively distributed branded products increased from approximately HK\$3.6 million for the year ended 31 March 2015 to approximately HK\$7.7 million for the year ended 31 March 2016 and from approximately HK\$7.7 million for the year ended 31 March 2016 to approximately HK\$8.8 million for the year ended 31 March 2017, which represented a CAGR of approximately 57.1%.

8. *Deploy our marketing efforts and shift our focus to other branded products to which we have exclusive distribution right in Hong Kong.* Our Group can also launch the skincare range of the brand “Mayella” or other similar products from the existing brands of our Group, and our Directors consider that these brands are already known by our customers and their products are well-received by our customers.

Owing to our experience and reputation in introducing and promoting new brands to Hong Kong including “Synergie Skin” and “Synergie Minerals”, we do not foresee there would be any difficulty for us to procure exclusive distributorship of any new brands which offer quality skincare and cosmetic products at rates comparable to the “Synergie” products. One such example is that we had obtained the exclusive distributorship of the “Mayella” branded products. Assuming we have identified one or two new brands which offer quality skincare and cosmetic products that are comparable to the “Synergie” products and have acquired certain understanding on the products and become acquainted with the relevant brand owner, we would generally take approximately two to three months to negotiate for an exclusive distribution arrangement and promote alternative branded products in place of the “Synergie” products. Our Directors estimated that we may suffer a loss of revenue generated from the sale of “Synergie” products during the transitional period of two to three months, amounting to approximately HK\$10.3 million to HK\$15.5 million (based on the revenue generated from the sale of “Synergie” products for the year ended 31 March 2017). Should this occur, we can then shift the marketing resources originally allocated to Synergie to other brands and we expect increasing the advertising campaigns for other brands shall lead to increases in their sales. Hence, the said loss of the revenue generated from the sale of “Synergie” products can be reduced. Furthermore, as our exclusive distribution right of “Synergie” products will expire only on 14 September 2027, with an option to extend up to 14 September 2032, we will have sufficient time to look for other new brand owners or suppliers and secure exclusive and/or non-exclusive distributorship rights of the products from these new brand owners or suppliers in order to reduce our reliance on Synergie.

Our contingency plan if we lose our exclusive distributorship of “Synergie” products

Pursuant to the existing exclusive distribution agreement entered into between our Group and Synergie, Synergie cannot terminate our exclusive distributorship of its products unless we are in default. In the unlikely event that we lose our exclusive distributorship with Synergie, we will implement the following contingency plan:–

1. We will continue to source other branded skincare and cosmetic products owned by other brand owners which are yet to be launched in Hong Kong from time to time and try to enter into similar exclusive distribution arrangement or other form of co-operation with them. As the term of our exclusive distribution agreement with Synergie lasts for ten years, expiring on 14 September 2027 with an automatic renewal term of five years up to 14 September 2032, our Directors take the view that we will have sufficient time to look for and promote other new brands in Hong Kong during the subsistence of the exclusive distribution agreement with Synergie;
2. Along with expanding our product portfolio in terms of product variety, we will also expand our pool of brand owners and suppliers in order to mitigate any inherent risks arising from our reliance on a particular brand or a particular brand owner or supplier. To ensure our new products can meet our requirements on quality and achieve high customers’ acceptance level, the new products have to pass our selection process including (i) ensuring that (a) the products do not contain any harmful substance set out in our internal consolidated list of excluded ingredients or set out in the Pharmacy and Poisons Ordinance, Pharmacy and Poisons Regulations and relevant guidelines from the government; and (b) the label of which is in compliance with the relevant laws and regulations in Hong Kong; (ii) trial use of the new products by members of our senior management and marketing team; (iii) analysis on the marketability of the new products by our senior management and marketing team; and (iv) final review of the analysis set out above. We will then devise a marketing plan of our new products. For details, please see sub-paragraph 3 below and the paragraph headed “Marketing and promotional activities” in this section.

Before committing ourselves to launching and promoting a particular branded product as set out above and/or entering into an exclusive distribution arrangement with a brand owner or supplier for a particular branded product, we will generally distribute the products on a non-exclusive basis. By doing so, we will have sufficient time to evaluate the product’s quality and function and assess the level of market acceptance of the product; and build up mutual trust and confidence with the brand owner or supplier. Once we are satisfied with both the quality and potential marketability of the product, we would try to negotiate for an exclusive distribution arrangement with the brand owner or supplier and work out an advertising campaign for promoting the product. Based on our Directors’ experience and observations, our Directors consider that we usually take two to three months to negotiate for an exclusive distribution arrangement and promote the new products after we have acquired sufficient understanding on the product and become acquainted with the relevant brand owner or supplier. As there are some products of our existing suppliers which our Directors consider have the potential to replace the “Synergie” products at comparable rates, the time required to look for new products may be significantly reduced. Nevertheless, our Directors are of the view that products that are comparable to the “Synergie” products are readily available at comparable rates and hence it will not be difficult to find new products to replace them;

3. Our marketing plan of the potential new products mainly includes, among others, (i) producing videos in which the ingredients of the new products are briefly explained by Ms. Erica Yuen or other members of our marketing team in a lively and interactive manner; (ii) posting and sharing the videos through the interactive online media and social networking platforms; and (iii) advertising in other traditional media such as advertisements on billboards, signage, external body, and/or in-cabin television on buses and television channels. Based on our Directors' experience, given we devise our marketing campaign and produce the above-mentioned videos mainly through our in-house marketing team, our Directors expect that the costs incurred for the marketing campaign of a new brand would be in the region of HK\$2.0 million. We plan to carry out marketing campaigns for other branded skincare products and cosmetic products of which we have the exclusive distribution right in order to promote alternatives to the "Synergie" products. We will then shift the marketing strategy from Synergie to these new brands, and thus, there shall be no significant additional marketing expenses or other extra costs in switching to other suppliers. Our Directors believe that the relevant products can be sourced at comparable rates if we purchase the products in large quantities. Owing to our established brand of "mi ming mart" ("袁彌明生活百貨" or "彌明生活百貨"), our Group's philosophy of "Setting off for harmless living" and our policy of selecting and offering quality products as set out above, coupled with our marketing plan, which are well-accepted by our customers, and the confidence of our customers in our products, it will not be difficult for us to launch new products which can achieve similar acceptance level with "Synergie" products and thus our Directors believe that our customers would be willing to switch from "Synergie" products to new products.

MARKETING AND PROMOTIONAL ACTIVITIES

Our Directors are of the view that it is crucial to establish the brand image of "mi ming mart" ("袁彌明生活百貨" or "彌明生活百貨") and maintain long-term relationships with our customers. In order to increase our brand recognition and the popularity of our products, we principally implemented the following marketing and promotion programmes during the Track Record Period:

(i) Interactive online media and social networking platforms

Over the years, we relied on online technology as a cost-effective way to attract new customers and communicate with our existing customers. Through the videos posted on the online media and social networking platforms and search engine marketing, we can increase our online channel presence and online traffic, which will increase the enquiries on our products. We use the online media and social networking platforms to build up customer relationships through first-hand contact and provide instant feedback to the comments of the viewers, allowing us to learn their preferences and in turn adjust our product procurement plan and marketing strategy.

To make use of the rapid development of digital communication channels, we increased our online marketing and public relation activities by leveraging interactive social networking platforms with the goal of creating interactive exchanges with our customers, thereby promoting our products and brand image. Under the leadership of our founder, chairlady, executive Director and chief executive officer, Ms. Erica Yuen, our marketing team is responsible for designing, shooting and posting videos featuring our products, our promotions and beauty tutorials online. Ms. Erica Yuen personally appears in most of our videos and introduces our products to our customers in order to enhance the videos' attractiveness. We also upload our video productions to social networking platforms for subscription and viewing. We utilise the "boost post" service for social networking platforms which targets viewers based on location, age, gender and interest, and broadcasting schedule. Apart from these, we also place banner advertisements on social networking platforms and mobile applications.

We also use an e-commerce remarketing service to bring back previous viewers or visitors of our website by showing our online advertisements (e.g. banners and videos). This will help us reconnect with past viewers or visitors of our website and may attract them to make a purchase of our products after seeing our online advertisements. On the other hand, we can also gather information about the behaviour and preference of the visitors to our website from the remarketing data.

Our website is therefore an important channel for us to communicate with our customers on the latest development in our product portfolio and latest marketing and promotional initiatives, such as details relating to our upcoming events and special promotions.

(ii) Advertising in other media

We have advertised our brand, "mi ming mart" ("袁彌明生活百貨" or "彌明生活百貨") and our products via the following selected media channels.

We have placed commercials on television channels in Hong Kong. Television marketing is one way for our brand to reach a large number of consumers in Hong Kong. We also placed television advertisements on the television panel of the elevator and common area of commercial buildings and advertisements on billboards, signage, external body and/or in-cabin television on buses to maximise our reach to a wider group of target customers.

(iii) Engagement of a well-known artist for promotion

Our Ms. Erica Yuen has devoted herself to serve as our Group's spokesperson. She appears in most of the videos and other visual promotion materials, wherever appropriate.

We engaged Mr. Gregory Wong (王宗堯), a well-known artist in Hong Kong, for the period from 30 April 2015 to 29 March 2016 to appear in our promotional materials which would be published and broadcasted to various channels including printed media, television commercials and on public transportation.

(iv) Monthly sales promotion

Our marketing team selects over ten products to be sold at a discounted price during our monthly promotional sale to stimulate the sales at our Retail Stores and Online Shop. The list of these monthly discounted products is updated on our website and provided to our members through electronic means such as emails or SMS.

Apart from the monthly promotion, we also launch our anniversary sale in August and Christmas sale in December, which cover more products and offer more discounts to our customers.

(v) Store display and in-store marketing

We display brochures and leaflets with information and photographs of our products in our Retail Stores in order to recommend our products to our existing and potential customers.

(vi) Customer events

Our goal is to share our experience and knowledge of our products with our customers, therefore every now and then, we set up customer events on different topics, such as skincare sessions, make-up workshops and shoot video tutorials or videos with customer appearances. These activities strengthen our bonds with our customers, enhance the customer's knowledge on our mission and products and thus increases their loyalty to our Group.

We incurred an aggregate of approximately HK\$1.0 million, HK\$3.6 million, HK\$3.9 million and HK\$2.8 million in marketing expenses for the three years ended 31 March 2017 and for the six months ended 30 September 2017, of which online marketing expenses amounted to approximately HK\$0.2 million, HK\$0.8 million, HK\$1.7 million and HK\$0.7 million, respectively.

INVENTORY

Our inventory management system is supported by our POS system which is connected to all the Retail Stores and warehouse. The POS system records, among others, the stock level of our inventory and past purchases. Through the generation of accurate and up-to-date inventory records, our Group will be able to gather information on the sales of each Retail Store, identify market trends and replenish inventory of products in high demand so that our Group is able to capture the latest sale trends.

Procurement of products for sale in our Retail Stores

We centralise the inventory stock management of all our Retail Stores at our warehouse. Our warehouse and logistics team, under the supervision of Ms. Mimi Yuen, our executive Director, will prepare an inventory plan for the next two months, by making reference to, inter alia, the actual sales performance of the products in the past three months as recorded by our POS system, anticipated changes in market trends and our forthcoming promotion plan for a particular product.

BUSINESS

Our POS system enables us to have updated information on the inventory level of each Retail Store. Based on this, our warehouse and logistics team will place purchase orders to suppliers on a timely basis to ensure that each Retail Store will have sufficient stock to meet customer demands from time to time.

With the assistance of our warehouse and logistics team, our management will set a minimum stock level for our Retail Stores based on their historical sales performance and taking into consideration our inventory plan mentioned above.

Inventory management

We manage our inventory with a focus on controlling our inventory holding costs and to maintain the variety of products available for sale in our Retail Stores. On a monthly basis, we perform analysis on the sales performance and inventory level of each Retail Store by using the operational data collected by our POS system, which in turn optimises the stock level of each Retail Store and minimises stock aging problems.

We perform stocktaking every month to verify the record of inventory level of each Retail Store. Any inventory discrepancies discovered during each stock count will be followed up and reported to our warehouse and logistics team, who will find out the reasons for the discrepancies and report the finding to our management.

It is our Group's policy to keep approximately two months of inventory. When the inventory level of certain products is high, the management may decide whether a promotion may be launched. Products that are going to expire within three months may be sold at discount to our customers.

During the Track Record Period, we did not experience any interruption to the supply of our products or fail to secure sufficient quantities of irreplaceable products that had any material adverse impact on our business or operations.

QUALITY CONTROL

Quality inspection of products upon arrival

After the products are delivered to us by our suppliers, they are placed in our warehouse or Retail Stores where they will be checked by our quality assurance staff or our sales person. Our quality assurance staff count and confirm the receipt of the correct quantity of the products and inspect the date of expiration and packaging condition. To ensure the quality of the products to be sold to the customers, we generally require suppliers to provide us with products with an expiry date of at least nine months from our date of receipt. Our staff at each Retail Store will conduct a sample check, including the product expiry dates, to ensure the quality of the products before selling them to the customers. If damaged or defective products are discovered, our staff will notify the relevant supplier and liaise with the relevant supplier for replacements.

Our staff strictly adhere to our inspection guidelines and inspect the physical appearance, packaging, labeling and the instruction manual of the products. Our staff will also check the respective expiry dates of the products and we will reject any products or arrange for the exchange of products which will expire within the next nine months.

Quality control measures over products supplied

When we launch any new product, especially products which we distribute exclusively and health supplement products, we would request the supplier to provide us with the relevant laboratory test report, arrange the product for ingredient examination through an external laboratory or review its ingredient lists to ensure the product and its ingredients comply with all the relevant rules and regulations in Hong Kong and other relevant jurisdictions. The suppliers are also required to provide us with a list of ingredients of the product so that we can ensure that the product does not contain any ingredient on our excluded list of ingredients.

Furthermore, if our senior management team finds it necessary, we would conduct visits to our suppliers' production plant to witness the production process. For goods purchased from overseas supplier, we also request the suppliers to provide us with copies of the relevant certificates of origins and other relevant certificates from time to time.

Our quality assurance staff also perform routine checking on all the products purchased and delivered to us as to their packing and conformity with the product description and quantity under the purchase order, such as checks on the brand and product name, the product specification, expiry date, barcode and batch number.

Quality control measures over repackaged products

We purchase certain skincare products in bulk packages from brand proprietors under the brands of "Synergie Skin" and "Mayella". The staff of our warehouse and logistics team repackage them into smaller bottles or containers at the designated repackaging area in our warehouse, with the necessary permissions granted by the brand proprietors. The respective brand proprietors have provided us with the relevant guidelines for repackaging their products with respect to the storage conditions and other requirements. We strictly adhere to the specific guidelines of repackaging and use sterilised equipment as required by the suppliers. During the process of repackaging, we do not alter the substance, ingredients or form of the products. Our quality assurance officer at the warehouse will conduct periodic checks to ensure the guidelines have been followed. We were awarded ISO 9001: 2015 quality management system standard with respect to our skincare product repackaging services in October 2016.

COMPETITION

The environment of the skincare and cosmetics multi-brand specialty retailers market in Hong Kong is intensely competitive. According to the F&S Report, competitors of our Group include supermarket/hypermarkets, department stores, other multi-brand specialty retailers, branded stores, personal care chains and drugstores/pharmacies. Furthermore, the skincare and cosmetics multi-brand specialty retailers market in Hong Kong was concentrated in 2016, with the top three players accounting for approximately 65.7% of the total skincare and cosmetics multi-brand specialty retailers market in Hong Kong and small and medium skincare and cosmetics multi-brand specialty retailers together accounted for approximately 31.5% of the total skincare and cosmetics multi-brand specialty retailers market in Hong Kong in 2016 in terms of retail value. According to the F&S Report, we ranked second in the small and medium segment of the skincare and cosmetics multi-brand specialty retailers market in Hong Kong for the calendar year of 2016 in terms of revenue generated from the sale of skincare and cosmetic products. Our key success factors in the industry include rich product portfolio, distributorship, price advantage, promotion and sensitivity to changing demands. For further details of the overall multi-brand specialty retailers market in Hong Kong and entry barriers of the market in which we operate, please refer to the section headed “Industry overview” in this prospectus.

Our Directors believe that our Group has competitive advantages over its competitors in that our established brand of “mi ming mart” (“*袁彌明生活百貨*” or “*彌明生活百貨*”) is well-known for offering quality beauty and health products, our multi-faceted marketing strategy and marketing and promotional initiatives, our ability to obtain exclusive distribution rights from certain brand owners, our sales networks and our experienced management team and dedicated workforce. We intend to maintain our competitiveness through enhancing our competitive strengths. The small and medium multi-brand specialty retailers in Hong Kong like our Group usually target local consumers rather than tourists as their main customers. These local players are less likely to be influenced by the decline in the tourism market in Hong Kong and decrease in the relative purchasing power of the PRC tourists. Details of our competitive strengths are set out in the paragraph headed “Competitive strengths” in this section.

Parallel traders can affect our business in two ways: (i) traders in Hong Kong may import the branded products to which we have the exclusive distribution right from other distributors or the brand owners for sale in Hong Kong; and (ii) parallel traders from the PRC may purchase these branded products in Hong Kong and import the products for onward sale in the PRC. According to the F&S Report, there are currently no measure implemented by the Hong Kong Government to prohibit the PRC parallel traders from purchasing skincare, cosmetic and health supplement products in Hong Kong and re-distributing or re-selling the products in the PRC on a parallel trading basis.

Our Directors are of the view that there is no significant impact on our Group’s business resulting from parallel imports from overseas countries to Hong Kong, due to the following factors:

- (1) To the best knowledge and belief of our Directors, (i) if our suppliers, who have granted exclusive distribution right to us to sell their products, are approached by customers who intend to re-sell or re-distribute the relevant products in Hong Kong, the PRC or the other authorised territories granted to our Group, our suppliers would not sell the relevant products to them and would instead refer them to our Group; and (ii) our suppliers would not knowingly sell the relevant products to any person who intends to re-distribute the relevant products in the exclusive territories granted to our Group; and
- (2) To the best knowledge and belief of our Directors, in relation to our products under exclusive distributorship, there is no other retailer in Hong Kong, the PRC and the other authorised territories granted to our Group, which offers to sell a large volume of such products.

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As concerns the parallel traders from the PRC, our Directors are of the view that there is no significant impact on our Group's business due to any reduction in the purchase of our products by the parallel traders in Hong Kong for onward sale in the PRC as a result of anti-parallel trading measures taken by the PRC government, including the implementation of taxation policy for cross-border e-commerce retail imports in the PRC, due to the following reasons:

- (1) Most of our Group's products are primarily targeted to be sold to local consumers through our Retail Stores in Hong Kong rather than to PRC customers or PRC purchasing agents. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, approximately 93.7%, 97.2%, 96.3% and 96.6% of our total revenue was generated from customers who had been registered under our membership programme. The following table sets forth a breakdown of our revenue generated from our members and non-members:

	For the year ended 31 March			For the six months ended 30 September 2017
	2015	2016	2017	2017
	Approximate percentage to our total revenue (%)	Approximate percentage to our total revenue (%)	Approximate percentage to our total revenue (%)	Approximate percentage to our total revenue (%)
Customers registered under our membership programme ^(Note 1)				
– PRC ^(Note 2)	3.9	2.8	2.1	2.2
– Hong Kong ^(Note 3)	87.3	92.1	92.1	92.3
– Others ^(Note 4)	2.2	2.1	2.0	2.0
– Unidentified ^(Note 5)	0.3	0.2	0.1	0.1
Sub-total	93.7	97.2	96.3	96.6
Customers not registered under our membership programme	6.3	2.8	3.7	3.4
Total	100.0	100.0	100.0	100.0

Notes:

1. We would ask our customers to provide their details such as name, residential address, email address and telephone number when they applied for registration as members under our membership programme.
2. These customers were identified as PRC customers based on the telephone numbers and/or email addresses provided in their membership applications, including the three PRC bulk purchase customers whose names and addresses are known to us.
3. These customers were identified as Hong Kong customers based on the telephone numbers and/or residential addresses provided in their membership applications.
4. These customers were identified as customers from countries other than the PRC and Hong Kong based on the telephone numbers and/or residential addresses provided in their membership applications.
5. These customers did not provide any information in respect of telephone number and/or addresses in their membership applications.

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As such, our Directors consider that parallel importers from the PRC have no significant impact on the sales of our Group's products to which we have the exclusive distribution right. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, the revenue generated from our five largest customers who had been registered under our membership programme (excluding the bulk purchase customers and the distributor in Taiwan) amounted to approximately HK\$0.3 million (with an annual purchase ranging from approximately HK\$50,000 to HK\$71,000), HK\$0.4 million (with an annual purchase ranging from approximately HK\$78,000 to HK\$109,000), HK\$0.5 million (with an annual purchase ranging from approximately HK\$80,000 to HK\$135,000) and HK\$0.2 million (with purchases ranging from approximately HK\$42,000 to HK\$76,000 for the six-month period), respectively, which accounted for approximately 0.6%, 0.5%, 0.5% and 0.4% of our total revenue during the corresponding year and period. In view of the insignificant amount of purchase from each of these five largest customers during the Track Record Period, our Directors take the view that it is unlikely that they purchased our products for parallel trading in the PRC. For further details of the bulk purchase customers, please refer to the paragraph headed "Customers – Our bulk purchase customers" in this section.

- (2) According to the F&S Report, brand stores and large multi-brand specialty retailers are major and popular channels from which the PRC purchasing agents make purchases for onward sale of the products in the PRC. Small and medium multi-brand specialty retailers, like our Group, which target local residents are less affected by the redistribution and/or re-selling by PRC purchasing agents through parallel trading; and
- (3) The PRC government's decision to limit Shenzhen residents to visit Hong Kong once a week has been in effect since April 2015 and the implementation of the new taxation policy for cross-border e-commerce retail imports in the PRC has been in effect since April 2016. However, we had not experienced any decrease in revenue or gross profit after the implementation of these measures during the Track Record Period.

RELATED PARTY TRANSACTIONS DURING THE TRACK RECORD PERIOD

During the Track Record Period, our Group purchased beauty and health products from Ms. Erica Yuen, our executive Director and our Controlling Shareholder, which had been discontinued as at the Latest Practicable Date.

There was no written agreement between Ms. Erica Yuen and us and we purchased beauty and health products from Ms. Erica Yuen on separate occasions with relevant price agreed on a case-by-case basis. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, the aggregate purchases made by us from Ms. Erica Yuen amounted to approximately HK\$649,000, HK\$3,000, nil and nil, respectively. As confirmed by Ms. Erica Yuen, on a few occasions she sourced and/or purchased beauty and health products on behalf of our Group for the sake of convenience as the amounts involved in the purchases were insignificant and resold the beauty and health products to our Group mainly at cost.

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OTHER RELATED PARTY TRANSACTIONS DURING THE TRACK RECORD PERIOD

During the Track Record Period, the following related parties of our Group had purchased beauty and health products from our Group:

Ms. Erica Yuen purchased beauty and health products from our Group on separate occasions. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, the aggregate purchases made by Ms. Erica Yuen from our Group amounted to approximately HK\$26,000, HK\$37,000, HK\$85,000 and HK\$18,000, respectively.

Mr. Lam Yue Yeung Anthony (“**Mr. Lam**”), our non-executive Director and the spouse of Ms. Erica Yuen, purchased beauty and health products from our Group on separate occasions. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, the aggregate purchases made by Mr. Lam from our Group amounted to approximately HK\$38,000, HK\$5,000, HK\$20,000 and HK\$12,000, respectively.

Ms. Mimi Yuen, our executive Director, purchased beauty and health products from our Group on separate occasions. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, the aggregate purchases made by Ms. Mimi Yuen from our Group amounted to approximately HK\$50,000, HK\$45,000, HK\$6,000 and HK\$10,000, respectively.

There was no written agreement between each of Ms. Erica Yuen, Mr. Lam and Ms. Mimi Yuen and our Group and they purchased beauty and health products from our Group for their own use at normal retail price with the relevant staff and membership discounts.

DIRECTORS’ VIEWS

Our Directors (including our independent non-executive Directors) are of the view that the previous purchases of beauty and health products from Ms. Erica Yuen and the sale of beauty and health products to Ms. Erica Yuen, Mr. Lam and Ms. Mimi Yuen (i) were made in the ordinary and usual course of business of our Group; (ii) were on normal commercial terms that were terms which we would be able to obtain if the transactions were entered into on an arm’s length basis or terms no less favourable to us than the terms available to or from Independent Third Parties, and with reference to the then prevailing market price of the same beauty and health products; and (iii) were on fair and reasonable terms, and were in the interests of our Company and Shareholders as a whole.

EMPLOYEES

We had a total of approximately 33, 55, 75, 84 and 86 employees (including both full-time and part-time employees and our executive Directors) in Hong Kong as at 31 March 2015, 31 March 2016, 31 March 2017, 30 September 2017 and the Latest Practicable Date, respectively.

Our staff costs which include all salaries and benefits payable to all staff, including executive Directors, were approximately HK\$9.0 million, HK\$12.5 million, HK\$19.5 million and HK\$10.8 million representing approximately 18.4%, 15.2%, 18.8% and 19.5% of our total revenue for the three years ended 31 March 2017 and for the six months ended 30 September 2017, respectively.

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The following table sets forth the aggregate number of employees (including both full-time and part-time employees and our executive Directors) categorised by function of each category of our total employees as of the Latest Practicable Date:

Function	Number of employees as at the Latest Practicable Date
Accounting and finance	2
Administration and human resources	3
Management	4
Marketing (including creative team and business development)	15
Sales (including beauty consultants and online sales personnel)	48
Warehouse and logistics	12
Quality assurance	2
Total:	86

Remuneration and incentive

We enter into individual employment agreements with our employees, specifying terms including, among other things, salaries, benefits, confidentiality obligations relating to trade secrets, non-competition terms and grounds for termination. The remuneration package of our employees mainly includes salaries, discretionary bonuses and paid leave. Our employees also receive benefits under our group medical and dental insurance.

We provided a contribution to the mandatory provident fund as required under the Mandatory Provident Fund Schemes Ordinance for our eligible employees in Hong Kong and complied with the statutory minimum wage provided under the Minimum Wage Ordinance and implemented by the Labour Department in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

We have conditionally adopted the Share Option Scheme to enable our Company to grant options to the participants in recognition of their contribution made or to be made to our Group. For further details of the principal terms of the Share Option Scheme, please refer to the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

Recruitment

We recruit employees based on our expansion need and position vacancies in open job markets through advertising in online job portals.

Training

Apart from on-the-job training and internal training, we also engage third party training companies to provide internal training to our staff from time to time to ensure that they are equipped with the most up-to-date and useful skills and knowledge in the industry.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we had not experienced any difficulty in the recruitment and retention of employees.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Owing to the nature of our business, our operational activities do not directly generate industrial pollutants, and we did not directly incur any cost of compliance with applicable environmental protection rules and regulations during the Track Record Period. Our Directors expect that our Group will not directly incur significant costs for compliance with applicable environmental protection rules and regulations in the future. As at the Latest Practicable Date, our Group had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

Our Group has established procedures to provide our staff with a safe and healthy working environment by setting out a series of work safety measures in the staff manual for our staff to follow. In addition, our Group provides our employees with occupational safety updates to enhance their awareness of safety issues. Our Group follows the health and safety-related rules and regulations in accordance with the Occupational Safety and Health Ordinance and devise a series of requirements for workplace environmental control and hygiene at workplaces pursuant to the Occupational Safety and Health Ordinance.

Our human resources department is responsible for the daily implementation of our work safety measures and compliance record keeping. Our Directors consider that the annual cost of compliance with the applicable health, work safety, social and environmental laws and regulations were not material during the Track Record Period and as at the Latest Practicable Date and the cost of such compliance is not expected to be material going forward.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any significant incidents or accidents in relation to workers' safety. Furthermore, we have not been subject to any material claim, whether for personal or property damage, or penalty in relation to health, work safety, social and environmental protection and have not been involved in any accident or fatality and have been in compliance with the applicable, laws and regulations of Hong Kong in all material aspects during the Track Record Period and as at the Latest Practicable Date.

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INSURANCE POLICIES

As at the Latest Practicable Date, we maintained business pack insurance, which covers the premises, business interruption, loss of money, public liability and employees compensation for each of our offices, Retail Stores and warehouse. We also maintained motor insurance policy for our vehicles.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any major complaint or claim arising from the products we sold. Our Directors consider that we have consistently placed high importance in selecting and offering high quality products to our customers. We have not taken out any product liability insurance policy in respect of our products. Our Directors confirm that there is no regulatory requirement that requires us to purchase product liability insurance for our business. Pursuant to the terms of the agreements with most of our suppliers, the suppliers will indemnify us on the liability of the products. The suppliers are generally responsible for any product liability which may be covered by the product liability insurance purchased by them. It is a risk to our business that we may be subject to product liability claims and our Group's insurance coverage may be inadequate to protect our Group against potential product liability. For further details of the respective risk, please refer to the paragraph headed "Risk factors – Risks relating to our business – We have limited control over the quality of the products offered by us and any quality issues relating to these products could adversely affect our reputation and business" in this prospectus.

Considering our current operations and the prevailing industry practice, our Directors are of the view that our insurance coverage is adequate and in line with industry practice. We intend to continue to maintain our current insurance coverage. We will continue to review and assess our risk portfolio and make appropriate adjustments to our insurance coverage.

Our total insurance expenses in respect of the aforesaid insurance policies for the three years ended 31 March 2017 and for the six months ended 30 September 2017 amounted to approximately HK\$64,000, HK\$88,000, HK\$76,000 and HK\$62,000, respectively. Our Directors confirmed that after making all reasonable enquires, during the Track Record Period and up to the Latest Practicable Date, we have not received any material claim, nor have we made any material claims under our insurance policies or experienced any material business interruption.

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PROPERTIES

As at the Latest Practicable Date, our Group occupied the following premises in Hong Kong as our head office, warehouse and Retail Stores under tenancy agreements with landlords, who are Independent Third Parties:

Location	Our use of property	Gross floor area (approximately)	Expiry date of tenancy agreement/licence
1622, 16/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong	Head Office	111.48 sq.m.	30/11/2018
1613, 16/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong	Office	76.27 sq.m.	8/12/2018
Portion B of shop A Ground Floor 84-94 Percival Street Causeway Bay Hong Kong	Retail Store	27.87 sq.m.	1/7/2018
Shop A, G/F Tern Commercial Building No. 39 Granville Road Kowloon	Retail Store	65.03 sq.m.	21/10/2018
Kiosk 10 on G/F Grand Plaza 625 & 639 Nathan Road Mongkok, Kowloon	Retail Store	18.58 sq.m.	31/10/2018

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Location	Our use of property	Gross floor Area approximate	Expiry date of tenancy agreement/licence
Shop Nos. 25G & H on Level 3 Shatin Centre Shatin New Territories	Retail Store	56.11 sq.m.	30/12/2018
Shop No. 2050, 2/F KOLOUR.Tsuen Wan I 68 Chung On Street Tsuen Wan New Territories	Retail Store	60.38 sq.m.	14/3/2018
Shop No.49, G/F, KOLOUR.Yuen Long No.1 Kau Yuk Road and Nos. 36-46 Tai Tong Road, Yuen Long New Territories	Retail Store	23.22 sq.m.	25/9/2019
Shop No. F22A, 1st Floor, Kornhill Plaza, 1 Kornhill Road, Quarry Bay Hong Kong	Retail Store	32.51 sq. m.	18/5/2019
Shop Nos. M-V18 and M-V19 on MTR Level of V City, No. 83 Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories	Retail Store	30.65 sq. m.	30/6/2019
Shop No. 176 on Level 1 of the Commercial Accommodation of East Point City, Tseung Kwan O New Territories	Retail Store	40.78 sq.m.	25/7/2019
Portion B on 7/F. Tung Chong Factory Building 653-659 King's Road Hong Kong	Warehouse	362.31 sq.m.	24/5/2018

INTELLECTUAL PROPERTIES

We have operated our business in Hong Kong under the brand “mi ming mart” (“袁彌明生活百貨” or “彌明生活百貨”). In order to enhance our corporate image and market recognition of our brand, our Group registered the trademarks “mi ming mart”, “MI MING MART”, “袁彌明生活百貨” and “彌明生活百貨” in Hong Kong as at the Latest Practicable Date. Our Group had also registered the domain name www.mimingmart.com which is material in relation to our Group’s business. Apart from trademark registrations in Hong Kong, our Group had also registered the trademarks “mi ming mart” and “袁彌明生活百貨” in PRC, Macau and Taiwan. For further details of the intellectual property rights which are material to our business, please refer to the paragraph headed “B. Further information about the business of our Group – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not aware of any material infringement of intellectual property rights owned by us, and we confirm that there were no material disputes or litigation regarding the intellectual property rights owned by us during the Track Record Period.

Our Directors also confirm that no claim or litigation proceedings had been instituted against us in respect of any alleged infringement of intellectual property rights of any third party during the Track Record Period. During the Track Record Period, there has not been any pending or threatened claim made against us, nor has there been any claim made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

INFORMATION TECHNOLOGY

We have been using a computerised POS system at all of our Retail Stores to capture the stock data, customer spending data and payments. We closely monitor and analyse the relevant data, which enables us to make decisions and promptly respond to any change in market trends and customers’ preferences.

We generate management accounts on a monthly basis from our accounting system, which allows our management to monitor the performance of each Retail Store.

LICENCES, PERMITS AND APPROVALS

As at the Latest Practicable Date, we held the following licence in respect of the operation of our business in Hong Kong:

Types of licence	Applicable ordinance and purpose	Expiry date
Registration of food importer/distributor	Food Safety Ordinance, Cap. 612 establishes a registration scheme for food importers and food distributors to require the keeping of records by persons who acquire, capture, import or supply food and to enable food import controls to be imposed	29/9/2019

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As at the Latest Practicable Date, we maintained the necessary registration and obtained our business registration certificates for our business operations. Our Directors have confirmed that we have complied with all applicable laws and regulations as set out in the section headed “Regulatory overview” in this prospectus during the Track Record Period and up to the Latest Practicable Date.

LITIGATION

As at the Latest Practicable Date, our Group was involved in the following settled claims and litigations:

No.	Nature of the legal proceedings	Capacity of the plaintiff	Name of the defendant	Amount settled	Status
1	Case No. DCCJ 290 of 2017 – A claim for alleged outstanding legal fees from a law firm in Hong Kong (the “ Firm ”) for the legal services rendered.	The Firm	Inwell	HK\$550,000	Our Group has settled the claim with the plaintiff.

The claim concerns a bill issued to Inwell in December 2016 (the “**Bill**”) after the cessation of the engagement of the Firm in late November 2016, which Bill Inwell disputes.

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No.	Nature of the legal proceedings	Capacity of the plaintiff	Name of the defendant	Amount of claim	Status
2	Case No. HCMP No. 353 of 2017 – an application taken out by Inwell pursuant to section 67(2) of the Legal Practitioners Ordinance, Cap. 159, laws of Hong Kong, for the Bill to be taxed and DCCJ 290 of 2017 to be stayed.	Inwell	The Firm	The Bill be taxed and costs be provided for.	On 16 February 2017, Inwell took out an application for taxation of the Bill and a stay of all proceedings in DCCJ 290 of 2017 pending completion of the taxation of the Bill. On 6 June 2017, the Firm filed an itemised bill of costs. The parties agreed to settle the claim upon discontinuation of the above case No. DCCJ 290 of 2017

Our Directors are not involved in the above claims and litigations and take the view that these claims and litigations would not cause any material adverse effect to our Group, its business or operation.

Save as disclosed herein, during the Track Record Period and as at the Latest Practicable Date, we were not involved in any material legal, arbitral or administrative proceedings, either as plaintiff or defendant, and our Directors were not aware of any legal, administrative or arbitration proceedings, any litigations or claims or potential litigations or claims which will commence or to be threatened by or against us which have, or may have, any material adverse effect on our Group's business, financial condition or operating results.

NON-COMPLIANCES

Inwell, our subsidiary incorporated in Hong Kong, had failed to comply with the following statutory requirements. We set out below our material non-compliance incidents with applicable laws and regulations during the Track Record Period. Our Directors are of the view that (i) adequate provisions have been made in respect of the non-compliance incidents and (ii) these incidents of non-compliance, whether individually or collectively, will not have a material operational or financial impact on us.

Our Directors confirm that save for the non-compliance incidents as disclosed below, we complied with all applicable laws and regulations in all material respects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

Failure to comply with the permitted use as specified in the occupation permits

Particulars of historical non-compliance	Reason for non-compliance	Legal consequence including potential maximum penalty and other financial liabilities	Remedial actions
1/F, 30 Granville Road, Tsim Sha Tsui, Kowloon (the “Granville Property”) was used by us as retail store during part of the Track Record Period until November 2015. The use of the Granville Property by us as retail store would constitute a breach of the user clause in the relevant occupation permit, which said that the Granville Property should be for domestic use only.	The breach was not wilful and was due to the absence of timely and professional advice at the material time. The relevant government lease specifies that the lot on which the Granville Property was situated shall not be used for industrial purpose and no factory building shall be erected thereon. As we had not used the Granville Property for industrial purpose, our use of the Granville Property as retail store had not contradicted the government lease. Furthermore, the said building was owned by one landlord and there is no deed of mutual covenant in respect of the building, and hence there would not be any breach of the deed of mutual covenant on our part.	Under section 40(2) and section 40(6) of the Buildings Ordinance, if our Group is deemed to have materially changed the use of the Granville Property under section 25 of the Buildings Ordinance by carrying out building works for the erection of an office without giving prior notice to the Building Authority and obtaining its approval or the plan in relation to such building works had been refused by the Building Authority, our Group is liable on conviction to a maximum fine of HK\$100,000 and our Directors are liable on conviction to a maximum fine of HK\$100,000 and maximum imprisonment of two years.	Upon knowing the non-compliance of the occupation permit, we ceased using the Granville Property in November 2015. Hence, the non-compliance has been duly rectified. We relocated our retail store in Tsim Sha Tsui to Shop A of the ground floor of Tern Commercial Building, 39 Granville Road, Kowloon (“New Tsim Sha Tsui Retail Store”) in 27 November 2015 where the use of which as our Retail Store would not render us in breach of the relevant government lease, deed of mutual covenant and occupation permit.

BUSINESS

Particulars of historical non-compliance	Reason for non-compliance	Legal consequence including potential maximum penalty and other financial liabilities	Remedial actions
	When we rented the Granville Property, some properties in the neighbourhood were for non-domestic purpose. Hence, we were not aware at that time that the Granville Property could be used for domestic purpose only according to the relevant occupation permit.	Our Directors confirmed that (i) we had not carried out any illegal building works in the Granville Property for the purpose of changing its permitted usage into retail store; and (ii) we had used the Granville Property in the same condition when the tenancy agreement commenced. After seeking advice from our Hong Kong Legal Advisers, our Directors take the view that it is arguable that our change of the uses of the Granville Property without building any illegal structures thereon would fall within the ambit of the offences under section 40(2) of the Buildings Ordinance. Mr. Jackson Poon, barrister-at-law, takes the view that the risk that our Group will be subject to any liabilities under section 40(2) and section 40(6) of the Buildings Ordinance is extremely slim.	By taking into account (i) the historical unit rental of our New Tsim Sha Tsui Retail Store in the period from 1 April 2014 until 26 November 2015 (which reflects the then market price of rent had our Group not breached the land use restriction); and (ii) the gross floor area of the New Tsim Sha Tsui Retail Store had our Group not breached the land use restriction, we would have incurred additional rent amounting to a total of approximately HK\$2.2 million during the Track Record Period.

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Particulars of historical non-compliance	Reason for non-compliance	Legal consequence including potential maximum penalty and other financial liabilities	Remedial actions
Flat C and Flat D, 2/F of Po Foo Building, No. 1 Foo Ming Street, Hong Kong (the “ Po Foo Property ”) was used by us as retail store during part of the Track Record Period until August 2015.	The breach was not wilful and was due to the absence of timely and professional advice at the material time. The relevant government lease specifies that the inland lot on which the Po Foo Property was situated prohibits the use for offensive trade or business without the previous licence in writing granted by the Governor of Hong Kong. Our Directors take the view that the use of the Po Foo Property as a retail store shall not constitute to carrying offensive trade as our Retail Store would not damage the health and/or economic interests of significant number of people in the neighbourhood or environment. Hence, our use of Po Foo Property as our retail store had not contradicted a breach of the relevant government lease.	Under section 40(2) and section 40(6) of the Buildings Ordinance and if our Group is deemed to have materially changed the use of the Po Foo Property under section 25 of the Buildings Ordinance by carrying out building works for the erection of an office without giving prior notice to the Building Authority and obtaining its approval or the plan in relation to such building works had been refused by the Building Authority, our Group is liable on conviction to a maximum fine of HK\$100,000 and our Directors are liable on conviction to a maximum fine of HK\$100,000 and maximum imprisonment of two years.	Upon knowing the non-compliance of the occupation permit, we ceased using the Po Foo Property as retail shop since August 2015. We relocated the relevant retail store in Causeway Bay to Portion B of Shop A, Ground Floor of Po Foo Building (the “New Causeway Bay Retail Store”) on 3 August 2015 as the occupation permit said that the ground floor can be used for commercial purpose. Hence, by relocating our retail store from the 2nd floor to the ground floor of Po Foo Building, the non-compliance has been duly rectified.

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Particulars of historical non-compliance	Reason for non-compliance	Legal consequence including potential maximum penalty and other financial liabilities	Remedial actions
However, the use of the Po Foo Property by us as a Retail Store would constitute a breach of the relevant occupation permit, which said that the Po Foo Property shall be for domestic use only.	Under such circumstances, we were not aware of the restriction under the relevant occupation permit until we had sought advice on the matter from our Hong Kong Legal Advisers. The deed of mutual covenants related to the Po Foo Property (the “DMC”) also prohibits its owners to use it for any offensive trade or business or for any illegal or immoral purpose or using the properties which may be or become a nuisance or annoyance to or cause damage to the other owners and occupiers. Owing to the reasons set out above, our Directors take the view that our use of Po Foo Property as our retail store had not contradicted the DMC on our part.	Our Directors confirmed that (i) we had not carried out any illegal building works in the Po Foo Property for the purpose of changing its permitted usage into retail store; and (ii) we had used the Po Foo Property in the same condition when the tenancy agreements commenced. After seeking the views from our Hong Kong Legal Advisers, our Directors take the view that it is arguable that our change of use of the Po Foo Property without building any illegal structures thereon would fall within the ambit of the offences under section 40(2) of the Buildings Ordinance. Mr. Jackson Poon, barrister-at-law, takes the view that the risk that our Group will be subject to any liabilities under section 40(2) and section 40(6) of the Buildings Ordinance is extremely slim.	By taking into account (i) the historical unit rental of our New Causeway Bay Retail Store in the period commencing from 1 March 2014 until 2 August 2015 (which reflects the then market price of office rent had our Group not breached the land use restriction); and (ii) the gross floor area of the New Causeway Bay Retail Store had our Group not breached the land use restriction, we would have incurred additional rent amounting to a total of approximately HK\$2.4 million during the Track Record Period.

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In order to rectify the non-compliance of the tenancy agreements before the Listing, our Group has relocated our Retail Stores in August 2015 and November 2015 to the properties, respectively, at Portion B of Shop A, Ground Floor, Po Foo Building, Nos. 84-94 Percival Street, Causeway Bay, Hong Kong and Shop A, Ground Floor, Tern Commercial Building, No. 39 Granville Road, Kowloon, respectively. Our Directors consider that the costs for relocation were insignificant. Our Group has also taken into consideration all professional advice to ensure that the proposed use of the new lease will comply with all relevant laws and regulations. Based on the above, our Directors do not foresee any potential disruption in business or loss of revenue due to the relocation of our new Retail Stores.

The non-compliance with occupation permit in Hong Kong

Our Directors explained that our Group was not aware that Granville Property and Po Foo Property (collectively the “**Properties**”) could not be used as Retail Store when our Group leased the relevant Properties, as (i) we noticed that a number of properties in the neighbourhood had been used mainly for non-residential purposes; (ii) the use of the Properties as retail store had not rendered our Group in breach of the relevant government leases or deed of mutual covenant as the relevant government lease and/or the deed of mutual covenant had not expressly prohibited the use of the Properties for non-residential or commercial purpose; and (iii) we had not been particularly advised or reminded by the estate agents or lawyers that pursuant to the relevant occupation permits, the Properties could not be used for non-residential purpose.

In the course of our preparation for Listing, our Hong Kong Legal Advisers advised our Group that the use of the Properties as retail store by our Group would constitute a non-compliance of the permitted use of the respective occupation permit of the Properties. Once our Directors were aware of the aforesaid non-compliances, our Group actively looked for new premises for relocation, and subsequently moved to our current Retail Stores in Tsim Sha Tsui and Causeway Bay. After seeking legal advice from our Hong Kong Legal Advisers, our Directors confirmed that the current properties in which we operate our Retail Stores comply with the relevant land use requirements in Hong Kong.

Given our Group’s non-compliance involving the usage of these two Properties (i) was not intentional; (ii) had been duly rectified by our Group by moving the relevant Retail Stores to other premises which can be used as retail store once our Directors were aware of such non-compliance; and (iii) did not involve any dishonesty or fraud on the part of our Directors or senior management and sufficient preventive measures had been taken out by our Group to prevent any recurrence of such non-compliance, the non-compliance should therefore not affect our Directors’ suitability to act as Directors under Rules 5.01 and 5.02 of the GEM Listing Rules, or impugn on their integrity or competence.

For the purpose of ensuring future land use compliances, our Group had adopted certain internal control measures on the purchase and leasing of offices, which is more particularly set out in the paragraph headed “Internal control measures to prevent the recurrence of non-compliance incidents” in this section below.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any damages, liabilities and losses which are or become payable or suffered by any member of our Group directly or indirectly as a result of or in connection with, among others, the incidents referred to in the paragraph headed “Non-compliances” in this section. For further details of the Deed of Indemnity, please refer to the paragraph headed “E. Other information – 1. Tax and other indemnities” in Appendix IV to this prospectus.

View of our Directors and the Sole Sponsor

Our Directors consider that the above non-compliance incidents would not affect the suitability of our executive Directors under Rules 5.01 and 5.02 of the GEM Listing Rules or the suitability of listing of our Company under Rule 11.06 of the GEM Listing Rules and that the various internal control measures adopted by our Group are adequate and effective having taken into account the fact that (i) our Group has taken the above measures to avoid recurrence of the non-compliance; (ii) no further non-compliance has taken place since adoption of the measures; (iii) the non-compliance was unintentional, did not involve any fraudulent act on the part of our executive Directors, and did not raise any question as to the integrity of our executive Directors.

Our Sole Sponsor, after having considered the above and reviewed the internal control measures and the findings of the IC Consultant (as defined below), concurs with the view of our Directors that (i) the various internal control measures adopted by our Group are adequate and effective; (ii) the above non-compliance incidents would not affect the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules and the suitability of listing of our Company under Rule 11.06 of the GEM Listing Rules; and (iii) the non-compliance incidents did not involve any dishonesty of our Directors.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Our Directors are responsible for formulating, supervising and overseeing the effectiveness of our risk management system and implementation of our internal control systems.

In May 2016, our Group engaged an independent internal control consultant (“**IC Consultant**”), which is an Independent Third Party and an international advisory firm, to perform an assessment of internal controls over certain business processes of our Group, identify the internal control weaknesses and provide recommendations for improvement to our Group. Scope of evaluation includes the areas of corporate controls; financial reporting and disclosure controls; information technology general controls; revenue management; expenditure management; inventory management; human resources and payroll management; fixed assets management; cash and treasury management; and insurance management.

The IC Consultant reviewed and provided recommendations for the improvement of our internal control system for preventing the recurrence of the abovementioned non-compliances. Our Group has taken key steps to enhance our internal control system and risk management measures.

The IC Consultant performed follow-up reviews mainly in the months of June, July and December 2016 and January, May, June, September and October 2017. According to the IC Consultants’ internal control report, no significant deficiencies were identified during the follow-up reviews and no internal control inadequacies were reported.

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Based on the above, our Directors are of the view that our Company has taken reasonable steps to establish an internal control system and procedures to manage the risks exposed to us and enhance the control environment in both the daily operation and management levels. Accordingly, our Directors and the Sole Sponsor are of the view that the internal control system currently implemented by our Group are adequate and effective to our operations.

We strive to strengthen the role of our Board as a decision-making body in relation to our fundamental policies and management issues, and supervising our operations. Our Board comprises 3 independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. Our independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive experience in corporate governance and specialised knowledge. For further details of the qualification and experience of our Board members, please refer to the section headed “Directors, senior management and employees” in this prospectus.

Internal control measures to prevent the recurrence of non-compliance incidents

To prevent the occurrence of any non-compliance in the future and in preparation for the Listing, our Group has adopted and implemented the following corporate governance and internal control measures to enhance the internal control systems and to ensure compliance of various applicable rules and regulations (including the GEM Listing Rules):

- reviewing all lease agreements by our Board, our company secretary and external legal advisers before entering into or varying the terms of any lease agreement. Our Directors will be responsible for ensuring that the use of all leased properties complies with the relevant laws and regulations based on the legal advice obtained from external legal advisers;
- induction training will be arranged for any newly appointed directors, company secretary or head of finance department so as to discuss and study the relevant regulatory requirements in relation to directors’ responsibilities and duties under the relevant laws and regulations;
- our existing Directors have attended directors’ training provided by our Hong Kong Legal Advisers so as to discuss and study the relevant regulatory requirements in relation to directors’ responsibilities and duties under the relevant laws and regulations;
- our Group has appointed the Sole Sponsor as its compliance adviser upon Listing to advise our Group on compliance matters in accordance with the GEM Listing Rules and will engage external counsel and other advisers when necessary;
- all management and staff of our Group will be required to report to and/or notify our Directors, the compliance officer or the legal advisers of our Group promptly of any non-compliance or potential non-compliance events; and
- meetings and seminars will be arranged for management and staff of our Group from time to time to discuss and study regulatory requirements and latest updates thereof applicable to our Group’s business operations.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

THE CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (assuming that no share is issued pursuant to the exercise of options which may be granted under the Share Option Scheme), Prime Era, which is wholly-owned by Ms. Erica Yuen, will hold 75% of the issued share capital of our Company. Ms. Erica Yuen and Prime Era will be our Controlling Shareholders within the meaning of the GEM Listing Rules. Prime Era is an investment holding company which does not engage in any other business activities as at the Latest Practicable Date.

Ms. Erica Yuen is our chairlady, chief executive officer and executive Director. For further details of our Directors and senior management, please refer to the section headed “Directors, senior management and employees” in this prospectus for further information about her.

Save as disclosed above, there is no other person who will, immediately following the completion of the Share Offer and the Capitalisation Issue, be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

RULE 11.04 OF THE GEM LISTING RULES

Each of our Controlling Shareholders, our Directors, our substantial Shareholders and their respective close associates do not have any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on our business independent of and without undue reliance on our Controlling Shareholders and their respective close associates after the Listing based on the following reasons:

Management independence

Our Company aims to establish and maintain a competent and independent Board to supervise our Group’s business. The main functions of our Board include (i) approving our overall business plans and strategies; (ii) monitoring the implementation of the aforesaid policies and strategies; and (iii) managing our Group. We have an independent senior management team with expertise in our business, to implement our Group’s policies and strategies.

Our Board consists of seven Directors, comprised of two executive Directors, two non-executive Directors and three independent non-executive Directors. Although one of the Controlling Shareholders, Ms. Erica Yuen, also serves as an executive Director of our Company, we consider that our Board and senior management will function Independently from our Controlling Shareholders for the following reasons:

- (a) each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transaction and shall not be counted in the quorum.

Operational independence

Our Group has established our own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, sales and marketing and general administration resources, with our Controlling Shareholders and/or their respective close associates.

In light of the above, our Directors are of the view that we are independent of our Controlling Shareholders in terms of business operations.

Financial independence

Our Group has our own financial management and accounting systems, accountant and administration department and independent treasury functions, and we make financial decision according to our own business needs.

Our Directors confirm that all guarantees provided by our Controlling Shareholders and its associates will be fully released and replaced by corporate guarantees from our Company upon Listing.

Having considered the above factors, our Directors consider that we have no financial dependence on our Controlling Shareholders.

Independence of major customers

Our Directors confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

NON-COMPETITION UNDERTAKINGS

Our Controlling Shareholders as covenantors (each of them, a “**Covenantor**” and collectively, the “**Covenantors**”) executed the Deed of Non-Competition in favour of our Company (for itself and as trustee for each of its subsidiaries).

In accordance with the Deed of Non-Competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earlier of (i) the date on which the Shares cease to be listed on GEM; or (ii) the date on which the Covenantors cease to be a Controlling Shareholder:

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

1. Non-competition

She/it will not, and will use her/its best endeavours to procure any Covenantor, her/its close associates (collectively, the “**Controlled Persons**”) and any company directly or indirectly controlled by the Covenantor (the “**Controlled Company**”) not to, either on her/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or is likely to compete with the business of our Company or any of our subsidiaries in Hong Kong and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including but not limited to the sale of beauty and health products (the “**Restricted Business**”).

The Deed of Non-Competition does not apply if the Controlled Persons and Controlled Company in aggregate own any interest not exceeding five per cent. of the issued shares in any company conducting any Restricted Business (the “**Relevant Company**”), and the Relevant Company is listed in any recognised stock exchange (as defined under the SFO), notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the business of our Company or any of our subsidiaries, provided that (i) the shareholding of any one holder (and her/its close associate, if applicable) in the Relevant Company is more than that of the Controlled Persons and the Controlled Company in aggregate at any time; and (ii) the total number of the relevant Covenantors’ representatives (including the Covenantor herself/itself) on the board of directors of the Relevant Company is not significantly disproportionate with respect to his shareholding in the Relevant Company.

2. New business opportunity

If any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity directly or indirectly to engage in or own a Restricted Business (the “**New Business Opportunity**”):

- (a) She/it shall within 10 days notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable us to make an informed assessment of such opportunity; and
- (b) She/it shall not, and shall procure that his Controlled Persons or Controlled Companies not to, invest or participate in any project and New Business Opportunity, unless such project and New Business Opportunity shall have been rejected by our Company and the principal terms of which the Covenantor or her/its Controlled Persons or Controlled Companies invest or participate in are no more favourable than those made available to our Company.

A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

Our independent non-executive Directors will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Covenantor or Controlled Company or whether or not the New Business Opportunity constitutes competition with the Restricted Business and such decisions will be made by our independent non-executive Directors. The factors that will be taken into consideration in making the decision include whether it is in line with the overall interests of our Shareholders.

3. Corporate governance measures

In order to ensure the performance of the above non-competition undertakings, each of the Covenantors will:

- (a) as required by our Company, provide all information necessary for our independent non-executive Directors to conduct annual examination with regard to the compliance with and enforcement of the terms of the Deed of Non-Competition;
- (b) procure our Company to disclose to the public either in the annual report of our Company or issue a public announcement in relation to any decisions made by our independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it;
- (c) where our independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-Competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-Competition and the enforcement of it are in accordance with the requirements of the GEM Listing Rules; and
- (d) that during the period when the Deed of Non-Competition is in force, fully and effectually indemnify our Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-Competition.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon (a) the Listing Division granting the listing of, and the permission to deal in, the Shares, as described in this prospectus, and (b) the Listing and dealings in the Shares on GEM taking place.

As the Covenantors have given non-competition undertakings in favour of our Company, and none of them have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that they are capable of carrying on our Group's business independently of the Covenantors following the Listing.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. The Board is responsible and has general powers for management and conduct of our Group's business. The following table sets forth certain information concerning our Directors:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment	Relationship with other Directors and senior management
Ms. Yuen Mi Ming Erica (袁彌明)	37	Chairlady of the Board, chief executive officer and executive Director	Responsible for overseeing the operation of our management team and formulating marketing strategy and corporate development strategy and serving as the Chairlady of the Nomination Committee and a member of the Remuneration Committee	March 2009	4 November 2016	Sister of Ms. Yuen Mimi Mi Wahng; spouse of Mr. Lam Yue Yeung Anthony
Ms. Yuen Mimi Mi Wahng (袁彌望)	44	Executive Director	Responsible for the establishment and optimisation of our day-to-day operations, in particular, overseeing the operational processes, resources allocation and cross-departmental cooperation	September 1994	9 December 2016	Sister of Ms. Yuen Mi Ming Erica; cohabitant of Mr. Cheung Siu Hon Ronald; sister in law of Mr. Lam Yue Yeung Anthony
Mr. Lam Yue Yeung Anthony (林雨陽)	41	Non-executive Director	Responsible for providing strategic advice to our Group, developing and implementing marketing strategy	11 January 2017	11 January 2017	Spouse of Ms. Yuen Mi Ming Erica; brother in law of Ms. Yuen Mimi Mi Wahng
Mr. Cheung Siu Hon Ronald (張肇漢)	37	Non-executive Director	Responsible for providing strategic advice to the operation of our Retail Stores	11 January 2017	11 January 2017	Cohabitant of Ms. Yuen Mimi Mi Wahng
Ms. Chan Sze Lai Celine (陳思例)	37	Independent non-executive Director	Responsible for providing independent advice to the Board, advising on corporate governance matters, serving as the Chairlady of the Remuneration Committee, a member of the Nomination Committee and a member of the Audit Committee	23 January 2018	23 January 2018	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment	Relationship with other Directors and senior management
Ms. Shum Wai Sze (沈慧施)	41	Independent non-executive Director	Responsible for providing independent advice to the Board, advising corporate governance matters, serving as a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee	23 January 2018	23 January 2018	N/A
Ms. Tsang Wing Yee (曾詠儀)	46	Independent non-executive Director	Responsible for providing independent advice to the Board, advising corporate governance matters, serving as the Chairlady of the Audit Committee	23 January 2018	23 January 2018	N/A

The following table sets forth certain information concerning our other senior management members:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Relationship with other Directors and senior management
Mr. Ho Man Dic (何文迪)	40	Head of logistics department	Responsible for overseeing the logistic operation of our Group	1 November 2015	N/A
Mr. Mak Yau Kwan (麥又焜)	31	Company secretary and financial controller	Responsible for supervising our Group's finance activities, budgeting and forecasting, as well as corporate secretarial practices and procedures of our Group	4 January 2016	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Executive Directors

Ms. Yuen Mi Ming Erica (袁彌明), aged 37, was appointed as a Director on 4 November 2016 and was then redesignated as an executive Director and appointed as the chairlady and the chief executive officer of our Company on 11 January 2017. Ms. Erica Yuen is a director of Inwell, and together with Ms. Mimi Yuen, established the business of our Group back in 2009. Ms. Erica Yuen is mainly responsible for corporate strategic planning, overall management and supervision of sales and marketing, and development of market recognition of our Group. Ms. Erica Yuen is the sister of Ms. Mimi Yuen and spouse of Mr. Lam Yue Yeung Anthony.

Ms. Erica Yuen has over 12 years of experience in the marketing and entertainment fields. Between August 2003 and May 2005, Ms. Erica Yuen worked as business associate in PCCW Services Limited, which is a wholly-owned subsidiary of PCCW Limited, a company listed on the main board of the Stock Exchange (stock code: 0008). Thereafter, she joined the entertainment industry in 2005. She casted in a number of movies and television programmes including drama and variety shows. From 2007 to 2009, Ms. Erica Yuen had been a columnist for several newspapers in Hong Kong, namely “Apple Daily” and “Sudden Weekly”, with some columns for the review of beauty and health products in the market. She has gained about nine years of marketing experience in the skincare and cosmetics industry and health supplement industry since 2009 when our Group was established.

Ms. Erica Yuen obtained a bachelor’s degree of arts (major in economics) with Magna Cum Laude Honor from Tufts University in the United States in May 2003.

Our Company’s corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) in Appendix 15 to the GEM Listing Rules. Except for the deviation from CG Code provision A.2.1, our Company’s corporate governance practices have complied with the CG Code.

CG Code provision A.2.1 stipulates that the roles of chairman of the Board and chief executive should be separate and should not be performed by the same individual. Ms. Erica Yuen is the chairlady of the Board and the chief executive officer of our Company. As Ms. Erica Yuen has been operating and managing our Group since 2009 and is a prominent social media icon with more than 7.5 million view counts on one of the most popular social media platforms, our Board believes that it is in the best interest of our Group to have Ms. Erica Yuen taking up both roles for effective management and business development. Therefore, our Directors consider that the deviation from CG Code provision A.2.1 is appropriate in such circumstances.

Ms. Yuen Mimi Mi Wahng (袁彌望), aged 44, was appointed as a Director on 9 December 2016 and was then redesignated as an executive Director on 11 January 2017. Since Ms. Mimi Yuen established the business of our Group together with Ms. Erica Yuen back in 2009, she has accumulated about nine years of experience in the skincare and cosmetics industry and health supplement industry. Ms. Mimi Yuen is a director of Inwell. She is responsible for the establishment and optimisation of our day-to-day operations, in particular, overseeing the operational processes, resources allocation and cross-departmental cooperation. Ms. Mimi Yuen also oversees our accounting and human resources departments. Ms. Mimi Yuen is the sister of Ms. Erica Yuen, cohabitant of Mr. Cheung Siu Hon Ronald and sister-in-law of Mr. Lam Yue Yeung Anthony.

Ms. Mimi Yuen obtained a dual master’s degree of science and business administration from Northeastern University in the United States in September 1997.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Non-executive Directors

Mr. Lam Yue Yeung Anthony (林雨陽), aged 41, was appointed as a non-executive Director on 11 January 2017. He is responsible for providing strategic advice to our Group, developing and implementing marketing strategy. Mr. Lam is the spouse of Ms. Erica Yuen and brother in law of Ms. Mimi Yuen.

Mr. Lam has over 10 years of experience in the fields of media and communication. From 1998 to 2004, Mr. Lam had served two broadcasting companies in Hong Kong, where he was responsible for producing radio commercials and hosting radio programmes. Between 2012 and 2016, Mr. Lam was the chief executive officer of Hong Kong New Media Limited, a company which mainly operated an internet radio station, where he was mainly responsible for overall strategic planning and supervising the business operation of the company. Since November 2000, Mr. Lam has been a shareholder and a director of Twooods (Hong Kong) Limited, a company incorporated in Hong Kong which provides curriculum development and enhancement to kindergarten and primary school students. Since June 2015, Mr. Lam has been the director of Garden by the Woods Limited, a company which is principally engaged in the business of online marketing and video production.

Mr. Lam obtained a bachelor's degree of arts from the University of British Columbia in Canada in November 1998 and a master's degree of business administration from the University of Strathclyde in the United Kingdom in June 2004.

Mr. Cheung Siu Hon Ronald (張肇漢), aged 37, was appointed as a non-executive Director on 11 January 2017. He is responsible for providing strategic advice to the operation of our Retail Stores. Mr. Cheung is the cohabitant of Ms. Mimi Yuen.

Between September 2008 and March 2010, Mr. Cheung was the project officer of East Asian Games (Hong Kong) Limited, where he was responsible for the preparation and organisation of a number of competition events for the 2009 East Asian Games. He joined Crumbs, a frozen yogurt chain in Hong Kong, in December 2009 as operation manager where he was responsible for managing the daily operation of the company and establishing operation procedures. Thereafter, Mr. Cheung joined Shun Sang (H.K.) Company Limited, and he is now a senior sales executive, where he is responsible for managing the distribution of two renowned brands of children's toy products and executing promotion plans and events in relation to these two brands in Hong Kong and Macau.

Mr. Cheung obtained a bachelor's degree of arts in hotel and hospitality management from the University of Strathclyde in July 2005 and a master's degree of physical education from Beijing Sport University in the PRC in June 2012.

Independent non-executive Directors

Ms. Chan Sze Lai Celine (陳思例), aged 37, was appointed as an independent non-executive Director on 23 January 2018.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Chan has over eight years of experience in the pharmaceutical industry. Ms. Chan commenced her career in 2009 as a scientist of GlaxoSmithKline (China) R&D Co., Ltd, where she was responsible for developing platforms to support the development of the therapeutics against neurodegenerative diseases in pre-clinical setting. Between November 2010 and June 2012, she worked in Roche R&D Center (China) Ltd as senior scientist, where she was responsible for assisting the company to optimise project plans and portfolio strategy by providing portfolio analytics in China in alignment with the global strategy. Thereafter, Ms. Chan served as a senior medical science liaison at Novartis Pharmaceuticals (HK) Limited, where she was responsible for developing the medical marketing strategies for the cardiovascular and metabolism business of the company. Between July 2013 and July 2014, Ms. Chan joined Bristol-Myers Squibb Pharma (HK) Ltd with her last position as a scientific advisor where she was responsible for market preparation during the product pre-launch phase for both Hong Kong and Taiwan. Between January 2015 and September 2016, Ms. Chan joined Celgene Limited as a key accounts manager where she was responsible for formulating the business strategies of the company's haematology franchise. From October 2016 to February 2017, Ms. Chan has been serving as Manager, Biomedical Technology Cluster in the Corporate Development Division at Hong Kong Science and Technology Park Corporation, where she was responsible for formulating and implementing the short-term and long-term cluster strategy and soliciting support from internal and external stakeholders to support or facilitate building up of strong and sizable biomedical technology cluster in the Hong Kong Science Park. Since February 2017, Ms. Chan rejoined Celgene Limited as a senior key accounts manager, leading the operation of the company in Hong Kong and managing the sales performance of the company in Hong Kong.

Ms. Chan obtained a bachelor's degree of science in biochemistry with honours from Queen's University in Canada in May 2002. She obtained a master's degree of science from the University of Toronto in Canada in November 2004 and a master's degree of business administration from The Hong Kong University of Science and Technology in November 2014. In December 2009, Ms. Chan obtained the doctor of philosophy from The University of Hong Kong.

Ms. Shum Wai Sze (沈慧施), aged 41, was appointed as an independent non-executive Director on 23 January 2018.

Ms. Shum has over 12 years of experience in the finance industry. She joined Noble Apex Wealth Limited as an associate director since July 2005 and is mainly responsible for wealth management for the company's clients. Ms. Shum has been registered with the Hong Kong Confederation of Insurance Brokers as a technical representative of Noble Apex Wealth Limited since July 2005. She also worked as an associate director at Noble Apex Advisors Limited from May 2005 to January 2013 and from January 2015 to August 2016. During her employment at Noble Apex Advisors Limited, she was a licensed person under the SFO permitted to carry out type 1 (dealing in securities) regulated activity from March 2009 to March 2012; type 4 (advising on securities) regulated activity from July 2005 to March 2012; and type 9 (asset management) regulated activity from September 2005 to March 2012 and June 2015 to August 2016, as defined under the SFO. Ms. Shum is currently still an associate director of Noble Apex Wealth Limited.

Ms. Shum obtained a bachelor's degree of business administration cum laude from The Bernard Baruch College, The City University of New York in June 1998.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Tsang Wing Yee (曾詠儀), aged 46, was appointed as an independent non-executive Director on 23 January 2018.

Ms. Tsang is a Chartered Financial Analyst Charterholder, a member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. She has been a licensed person under the SFO permitted to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO since August 2003. Ms. Tsang has over 14 years of experience in the field of corporate finance.

Ms. Tsang was the group financial controller of Wing Lee World Transport Holdings Limited (stock code: 899, which was subsequently renamed as Asia Resources Holdings Limited) from May 1998 to January 1999 and the deputy financial controller of S. Megga International Holdings Limited (stock code: 261, which was subsequently renamed as CCT Land Holdings Limited) from March 1999 to January 2000. Both companies are listed on the main board of the Stock Exchange. During the relevant periods, Ms. Tsang was responsible for overseeing the accounting and financial reporting functions, establishing and executing internal controls as well as planning and executing banking and finance activities of the companies in the respective groups. In September 2016, Ms. Tsang was appointed as a director of Crescendo Capital Limited. She has been registered as a responsible officer of Crescendo Capital Limited permitted to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO since May 2017. She is responsible for the overall management of the company and provision of financial advisory services to clients.

Ms. Tsang obtained a bachelor's degree in business administration from The University of Hong Kong in November 1993 and a master's degree of science in financial management from University of London in December 1998.

DIRECTORS' INTEREST

Details of our Directors' emoluments (whether covered by service contracts or letters of appointment or not), the basis of determining our Directors' emoluments and the proposed length of service as stated in service contracts or letters of appointment are set out in the paragraph headed "C. Further information about Directors, management and staff – 1. Directors – (b) Particulars of service contracts" in Appendix IV to this prospectus.

Save as disclosed in this prospectus, each of our Directors confirmed that as at the Latest Practicable Date, he/she (i) did not hold any other directorships in the last three years prior to the Latest Practicable Date in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) did not hold other positions in our Company or other members of our Group; (iii) did not have any other relationship with any Directors, senior management, substantial shareholders or controlling shareholders of our Company nor any interests in the Shares within the meaning of Part XV of the SFO.

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

Mr. Ho Man Dic (何文迪), aged 40, was our logistics manager since November 2015 and became our head of logistics department in May 2017. He is responsible for overseeing the logistics operation, developing and implementing repackaging procedures and monitoring and implementing the ISO 9001-compliant quality management system.

Prior to joining our Group as our logistic manager, Mr. Ho provided logistic management services to our Group on a self-employed basis from March 2009 to October 2015.

Mr. Ho completed his secondary school education at Kei Heep Secondary Technical School in Hong Kong in July 1994.

Mr. Mak Yau Kwan (麥又焜), aged 31, was appointed as our company secretary on 11 January 2017. He was our finance manager since January 2016 and was promoted to financial controller in January 2017. Mr. Mak is responsible for supervising our Group's finance activities, budgeting and forecasting, as well as corporate secretarial practices and procedures of our Group.

Mr. Mak is a member of the Hong Kong Institute of Certified Public Accountants and has over six years of auditing experience. Prior to joining our Group, Mr. Mak worked as a senior auditor in East Asia Sentinel Limited, a firm of certified public accountants from 2010 to 2015.

Mr. Mak obtained a bachelor's degree of business administration from the Lingnan University in October 2008.

Save as disclosed above, none of our senior management had any directorships in any publicly listed company over the past three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Mr. Mak Yau Kwan is the company secretary of our Company. Please refer to the paragraph headed "Senior management" in this section for his biography.

AUTHORISED REPRESENTATIVES

Ms. Erica Yuen and Ms. Mimi Yuen have been appointed as the authorised representatives of our Company on 11 January 2017 under Rule 5.24 of the GEM Listing Rules.

COMPLIANCE OFFICER

Ms. Mimi Yuen has been appointed as the compliance officer of our Company on 11 January 2017. For further details of her biographical information, please refer to the paragraph headed "Directors – Executive Directors" above in this section.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

CORPORATE GOVERNANCE

Our Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, our Group will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and the other relevant GEM Listing Rules.

COMPLIANCE ADVISER

Our Company has appointed Kingston Corporate Finance Limited as the compliance adviser of our Company pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Group must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated by our Group, including share issues and share repurchases;
- (iii) where our Group proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which our Group complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year after the Listing, or until the agreement is terminated, whichever is the earlier.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on 23 January 2018 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditors; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. The Audit Committee currently consists of three members, namely Ms. Chan Sze Lai Celine, Ms. Shum Wai Sze and Ms. Tsang Wing Yee. The chairlady of our Audit Committee is Ms. Tsang Wing Yee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Remuneration Committee

Our Company established the Remuneration Committee on 23 January 2018 with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The Remuneration Committee currently consists of three members, namely Ms. Chan Sze Lai Celine, Ms. Erica Yuen and Ms. Shum Wai Sze. The chairlady of the Remuneration Committee is Ms. Chan Sze Lai Celine.

Nomination Committee

Our Company established the Nomination Committee on 23 January 2018 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee currently consists of three members, namely Ms. Erica Yuen, Ms. Chan Sze Lai Celine and Ms. Shum Wai Sze. The chairlady of the Nomination Committee is Ms. Erica Yuen.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of compensation paid by us for each of the financial year ended 31 March 2015, 31 March 2016 and 31 March 2017 and the six months ended 30 September 2017 to our Directors and senior management was approximately HK\$2,933,000, HK\$3,053,000, HK\$4,331,000 and HK\$2,318,000 respectively.

Save as disclosed above, no other fees, salaries, housing allowances, discretionary bonuses, other allowances and benefits in kind and contributions to retirement benefit schemes were paid by our Group to our Directors during the Track Record Period. Our Directors had not waived any emoluments during the Track Record Period.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Erica Yuen and Ms. Mimi Yuen, our executive Directors, were two of our Group's five highest paid individuals for the years ended 31 March 2015, 2016 and 2017 and for the six months ended 30 September 2017 respectively. The emoluments of the remaining three individuals for the Track Record Period are as follows:

	Year ended 31 March			Six months ended
	2015	2016	2017	30 September 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries and other allowances	1,055	1,139	1,490	833
Retirement benefit scheme contributions	31	36	50	26
	<u>1,086</u>	<u>1,175</u>	<u>1,540</u>	<u>859</u>

During the Track Record Period, no remuneration has been paid to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

The expected annual Directors' fees and other emoluments to be paid by our Group to our directors for the financial year ending 31 March 2018 will be approximately HK\$4.5 million.

REMUNERATION POLICY

The Director's fee for each of our Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of our Remuneration Committee. The remuneration package of each of our Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within our Group. Our Directors are entitled to statutory benefits as required by law from time to time such as pension.

Prior to the Listing, the remuneration policy of our Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company. Upon and after the Listing, the remuneration package of our Directors and the senior management will, in addition to the above factors, be linked to the return to the Shareholders. The Remuneration Committee will review annually the remuneration of all our Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

DIRECTORS' COMPETING INTERESTS

None of our Directors and their respective close associates are interested in any business which competes or is likely to compete with that of our Group.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of the Shares which may be issued pursuant to the exercise of the any options that may be granted under the Share Option Scheme), each of the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/ Nature of Interest	Percentage of interests in our Company immediately after completion of the Share Offer and the Capitalisation Issue	
		Number of Shares held immediately after completion of the Share Offer and the Capitalisation Issue ^(Note 1)	Issue
Prime Era	Beneficial owner	840,000,000 Shares (L)	75.0%
Ms. Erica Yuen ^(Note 2)	Interest in a controlled corporation	840,000,000 Shares (L)	75.0%
Mr. Lam Yue Yeung Anthony ^(Note 3)	Interest of spouse	840,000,000 Shares (L)	75.0%

Notes:

1. The letter (L) denotes the person's long interest in our Shares.
2. Prime Era is the registered owner holding 75.0% shareholding interests in our Company. The entire issued share capital of Prime Era is owned by Ms. Erica Yuen. Under the SFO, Ms. Erica Yuen is deemed to be interested in all the Shares registered in the name of Prime Era.
3. These Shares represent the Shares held indirectly by Ms. Erica Yuen, the spouse of Mr. Lam Yue Yeung Anthony, as ultimate beneficial owner.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the Capitalisation Issue and the Share Offer, without taking into account any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme:

<i>Authorised share capital</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares of par value HK\$0.01 each	<u>20,000,000.00</u>
<i>Issued and to be issued, fully paid or credited as fully paid</i>		
2	Shares in issue as at the date of this prospectus	0.02
839,999,998	Shares to be issued pursuant to the Capitalisation Issue	8,399,999.98
280,000,000	Shares to be issued pursuant to the Share Offer	2,800,000.00
<u>1,120,000,000</u>	Total Shares issued and to be issued upon completion of the Capitalisation Issue and the Share Offer	<u>11,200,000.00</u>

ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Share Offer become unconditional and the issue of Shares pursuant thereto is made as described herein. It takes no account of Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

MINIMUM PUBLIC FLOAT

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 25% of the total issued share capital of our Company in the hands of the public (as defined in GEM Listing Rules).

RANKING

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

Except as disclosed in this prospectus, no share or loan capital of our Company or any of our subsidiaries is under any option or is agreed conditionally or unconditionally to be put under any option.

SHARE CAPITAL

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 23 January 2018. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus. As at the Latest Practicable Date, no option had been granted under the Share Option Scheme.

CAPITALISATION ISSUE

Pursuant to the written resolutions of the then sole Shareholder passed on 23 January 2018, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue Offer Shares pursuant to the Share Offer, our Directors were authorised to allot and issue a total of 839,999,998 Shares credited as fully paid at par to the holder of shares on the register of members or the principal share register of our Company at the close of business on 23 January 2018 (or as they may direct) in proportion to its shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of Capitalisation of the sum of HK\$8,399,999.98 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the right to participate in the Capitalisation Issue).

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate number of not exceeding 20% of the number of issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme) and the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

This mandate shall remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of the Cayman Islands; or
- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

SHARE CAPITAL

For further details of the general mandate for the allotment and issue of Shares, please refer to the paragraph headed “A. Further information about our Company and our subsidiaries – 3. Written resolutions of the sole Shareholder” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of not more than 10% of the aggregate number of issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme).

This mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “Statutory and General Information – A. Further information about our Company and our subsidiaries – 6. Repurchase by our Company of its own securities” in Appendix IV to this prospectus.

This mandate shall remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of the Cayman Islands; or
- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the repurchase of Shares, please refer to the paragraph headed “A. Further information about our Company and our subsidiaries – 3. Written resolutions of the sole Shareholder” in Appendix IV to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share capital; (ii) consolidate or divide its share capital into Shares of larger or smaller amount than its existing shares; (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 by its shareholders passing a special resolution. For details, see “2. Articles of Association — 2.1.3 Alteration of capital” in Appendix III to this prospectus. Pursuant to and subject to the Companies Law and the terms of the Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied 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, see “2. Articles of Association — 2.1.2 Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with the audited combined financial information of our Group for the three financial years ended 31 March 2017 and the six months ended 30 September 2017, together with the related notes thereto included in the Accountants' Report set out in Appendix I to this prospectus. The combined financial statements of our Company have been prepared in accordance with HKFRS, which differ in certain significant respects from generally accepted accounting principles in certain other countries. For further information, see "Appendix I – Accountants' Report on Historical Financial Information". Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in the prospectus, particularly in the section headed "Risk factors" in this prospectus.

OVERVIEW

We are a multi-brand retailer, which operate nine Retail Stores under the brand of "mi ming mart" ("袁彌明生活百貨" or "彌明生活百貨") in Hong Kong. We offer a wide range of beauty and health products, which can mainly be categorised into (i) skincare products; (ii) cosmetic products; and (iii) food and health supplements. Our Group has been under the leadership of our founder and prominent social media icon, Ms. Erica Yuen, since our commencement of business in 2009. According to the F&S Report, we ranked second in the small and medium segment of the skincare and cosmetics multi-brand specialty retailers market in Hong Kong in terms of revenue generated from the sale of skincare products and cosmetic products for the calendar year of 2016.

As at the Latest Practicable Date, we offered more than 300 kinds of products in over 35 brands. During the Track Record Period, we were the exclusive distributor of the brands "Synergie Skin" and "Synergie Minerals" in Hong Kong, the PRC, Macau and Taiwan; "pHion" in Hong Kong and Macau; and "Mayella", "Secret Garden" (the production and sale of which was ceased by its brand owner in December 2016) and "Snow Fox" in Hong Kong. In December 2017, we became the exclusive distributor of the brand "Plabeau" in Hong Kong. The wide spectrum of beauty and health products we offer to customers enables us to target a diverse customer base who are health conscious and who are looking for products that are transparent in their ingredient composition.

We achieved a significant increase in revenue over the Track Record Period. Our revenue increased from approximately HK\$48.6 million for the year ended 31 March 2015 to approximately HK\$82.1 million for the year ended 31 March 2016, representing an increase of approximately 68.9%. Our gross profit increased from approximately HK\$26.7 million for the year ended 31 March 2015 to approximately HK\$49.6 million for the year ended 31 March 2016, representing an increase of approximately 85.7%.

Our revenue increased from approximately HK\$82.1 million for the year ended 31 March 2016 to approximately HK\$103.4 million for the year ended 31 March 2017, representing an increase of approximately 26.0%. Our gross profit increased from approximately HK\$49.6 million for the year ended 31 March 2016 to approximately HK\$63.2 million for the year ended 31 March 2017, representing an increase of approximately 27.3%.

FINANCIAL INFORMATION

Our revenue increased from approximately HK\$47.7 million for the six months ended 30 September 2016 to approximately HK\$55.7 million for the six months ended 30 September 2017, representing an increase of approximately 16.6%. Our gross profit increased from approximately HK\$29.2 million for the six months ended 30 September 2016 to approximately HK\$33.7 million for the six months ended 30 September 2017, representing an increase of approximately 15.3%.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The major factors which we believe may affect our results of operations and financial condition include:

Market recognition of our brand “mi ming mart” (“袁彌明生活百貨” or “彌明生活百貨”)

We believe that market recognition of our brand name “mi ming mart” (“袁彌明生活百貨” or “彌明生活百貨”) for offering quality beauty and health products is one of the major factors that may affect our results of operations and financial condition. According to the F&S Report, we ranked second in the small and medium segment of the skincare and cosmetics multi-brand specialty retailers market in Hong Kong for the calendar year of 2016 in terms of revenue generated from the sale of skincare and cosmetic products.

Our Directors believe that our operations and financial condition depend on our ability to increase both the market recognition of our brand name and the demand for our products, which are in turn attributable to our ability to formulate and implement effective marketing and promotion strategies. We therefore implement multi-faceted marketing and promotional initiatives to target a wide customer base and to deepen the market penetration of our products.

With the prevalence of the digital era, our online video marketing and promotion initiatives allow us to reach out to potential and existing customers. In addition, our Group relies on a combination of different media to ensure a broad coverage and penetration of our advertisements, including (i) interactive online media and social networking platforms; (ii) other media such as television, public transportation displays and billboards; (iii) monthly sale promotion; (iv) display of brochures and leaflets with information and photographs of our products in our Retail Stores; and (v) organising customer events such as skincare sessions, make-up workshops and shooting video tutorials or videos where our customers may make appearance. For further details of our marketing activities, please refer to the paragraph headed “Business – Marketing and promotional activities” in this prospectus. To enhance the market recognition of our brand, “mi ming mart” (“袁彌明生活百貨” or “彌明生活百貨”), we also post videos on online media and popular social networking platforms in which Ms. Erica Yuen, our founder, chairlady, executive Director and chief executive officer, will share her reviews on our beauty and health products including their ingredients and functions.

Our Group has also introduced a customer membership programme to promote our Group’s products and cultivate customers’ loyalty to our brand and our products.

FINANCIAL INFORMATION

We incurred an aggregate of approximately HK\$1.0 million, HK\$3.6 million, HK\$3.9 million and HK\$2.8 million in marketing expenses of which online marketing expenses amounted to approximately HK\$0.2 million, HK\$0.8 million, HK\$1.7 million and HK\$0.7 million for the three years ended 31 March 2017 and for the six months ended 30 September 2017, respectively.

We believe that the ability to strengthen marketing activities has and will continue to affect our revenue growth and results of operations and financial condition. Any factor affecting the market recognition of our brand or the effectiveness of our marketing and promotion initiatives may have an adverse effect on our operation and financial condition. For further details, please refer to the paragraph headed “Risk factors – Risks relating to our business” in this prospectus.

Coverage of our sales channel

Our revenue and profit growth will depend to a significant extent on our ability to successfully expand and manage our sales channels.

The sales channels of our products mainly consist of Retail Stores, Online Shop, Independent Third Party consignees and distributor. Retail Store is the major sales channel of our products as the sales of our products through our Retail Stores accounted for approximately 94.1%, 95.6%, 95.7% and 97.5% of our Group’s revenue generated from the sale of our products for the three years ended 31 March 2017 and for the six months ended 30 September 2017, respectively.

Hence, accessibility, consumer traffic flow and the layout of our Retail Stores had together attributed to the success of our Retail Stores during the Track Record Period as well as the enhancement of the market awareness of our brand “mi ming mart” (“*衰彌明生活百貨*” or “*彌明生活百貨*”).

In this connection, as at the Latest Practicable Date, we strategically operated nine Retail Stores with three stores in prime shopping areas including Causeway Bay, Tsim Sha Tsui and Mongkok and six stores in local shopping areas including Shatin, Tsuen Wan, Yuen Long, Quarry Bay, Tuen Mun and Tseung Kwan O. Our Directors believe that owing to the shopping habit and shopping behavior of general consumers in Hong Kong who prefer holding sight of and buying products at physical stores, an established network of Retail Stores would accelerate the integration of our products into the local Hong Kong market. We believe that our revenue and profit growth and continued success depend on our ability to continuously expand our sales channels to capture a wider customer base and deepen the market penetration of our products by diversifying our retail network in Hong Kong.

Our diversified product portfolio

According to the F&S Report, unlike brand stores that offer a single brand, the key factor for a multi-brand specialty retailer, like our Group, to attract customers is the diversified portfolio of products it offers. Hence, while we uphold our principle of avoiding products with harmful substances, we continuously strive to diversify our product profile and keep abreast of the changing market trends. We adapt to the ever-changing market trends by offering products that can match consumer preferences which, we believe, will in turn attract more customers and strengthen the loyalty of our customers.

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The F&S Report mentioned that one of the major drivers for the growth of the skincare and cosmetics market in Hong Kong is the increasing demand for products catering to ingredient conscious customers. Our ability to introduce new products to the market that meet consumer preferences will therefore have a significant influence on our future sales and financial performance. As at the Latest Practicable Date, we offered over 300 kinds of beauty and health products in over 35 brands.

In terms of the retail price of our skincare and cosmetic products, the skincare and cosmetics market in Hong Kong can be segmented into premium (retail price over HK\$800 per set/piece), mid to high-end (retail price between HK\$200 to HK\$800 per set/piece), and mass market (retail price under HK\$200 per set/piece). According to the F&S Report, the retail price of products and consumer demand have rapidly shifted towards mass products or mid to high-end products, which drive the proportion of mass market in the overall market. As such, our product portfolio covers premium, mid to high-end and mass market products.

In light of the above, our Directors take the view that our ability to provide a wide spectrum of products catering for the changing needs and preference of our target customers who are ingredient conscious with different pricing covering premium, mid to high-end and mass market will affect our results of operations and financial condition.

Cost of inventories

Our cost of sales comprises cost of inventories sold, commission expenses to consignees, and incoming shipping, freight and delivery charges. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, we recorded cost of sales of approximately HK\$21.9 million, HK\$32.5 million, HK\$40.2 million and HK\$22.0 million representing approximately 45.0%, 39.5%, 38.9% and 39.5% of our total revenue, respectively.

The cost of inventories sold is the major component of our cost of sales representing the costs of products charged by our suppliers (determined on the basis of a number of factors including the prevailing market conditions, the volume of orders and the type of products) which accounted for approximately 99.0%, 99.1%, 99.3% and 99.5% of our total cost of sales for each of the three years ended 31 March 2017 and for the six months ended 30 September 2017, respectively. As a result, any increase in the cost of inventories will have a significant impact on our results of operations. In particular, our purchases from our top five suppliers amounted to approximately, 65.3%, 72.7%, 67.7% and 65.3% of our total purchases during the Track Record Period, respectively. Hence any increase in the cost of their products will significantly affect our financial condition and operating results if we cannot pass such increase to our customers. Apart from the cost of products charged by our top five suppliers, any decline or interruption in supply of the products to us will also affect our financial condition and operating results.

During the Track Record Period, approximately 39.2%, 46.0%, 41.9% and 42.8% of total purchases were settled in Australian dollar. Any appreciation in the Australian dollar against Hong Kong dollar may increase our costs of purchase and affect our profit margin and results of operations.

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Growth of the skincare and cosmetics market and health supplement market in Hong Kong

Being a retailer of beauty and health products in Hong Kong, our Group's performance is correlated to the prevailing economic condition, the growth of the skincare and cosmetics market and the health supplement market in Hong Kong. Any change in consumer demand in these markets will affect our revenue growth. Such demand is determined by a number of factors such as growth of purchasing power of local residents, growth of Hong Kong tourism industry, and prospects of Hong Kong's economy, which are beyond our control.

It is noteworthy that our revenue increased from approximately HK\$48.6 million for the year ended 31 March 2015 to approximately HK\$82.1 million for the year ended 31 March 2016, representing an increase of approximately 68.9% whereas according to the F&S Report, the retail value of skincare and cosmetic products market in Hong Kong decreased from approximately HK\$36.1 billion for the calendar year of 2014 to approximately HK\$34.8 billion for the calendar year of 2015, and approximately HK\$33.1 billion for the calendar year of 2016 representing a decrease of approximately 3.6% and 4.9%, respectively. The decrease was primarily due to a general slowdown of mainland Chinese tourist arrivals. Our Directors believe that our increase in revenue was due to our focus on local customers in Hong Kong who look for quality beauty and health products.

According to the F&S Report, after a slight fall of the retail value of skincare and cosmetics multi-brand specialty retailers market in 2015 and 2016, the market is expected to recover and grow in the coming years due to growing purchasing power of local residents and the consumers' increasing preference towards multi-brand specialty retailers. It is expected that the retail value of skincare and cosmetics in Hong Kong is likely to increase from approximately HK\$33.1 billion in 2016 to approximately HK\$42.2 billion in 2021, representing a five year CAGR of approximately 5.0% from 2016 to 2021.

Further, the retail sales for health supplements in Hong Kong increased from approximately HK\$5.0 billion in 2012 to approximately HK\$5.8 billion in 2016, with a four year CAGR of approximately 3.8%, and is expected to increase from approximately HK\$5.8 billion in 2016 to approximately HK\$6.6 billion in 2021, representing a five year CAGR of approximately 2.6% from 2016 to 2021. Such growth was supported by the factors as mentioned above. With our comprehensive knowledge in both the skincare and cosmetic market and the health supplements market in Hong Kong, our Directors believe that we are well-positioned to capture the growth.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 November 2016. Pursuant to the Reorganisation, as more fully explained in the paragraph headed "History, reorganisation and corporate structure – Reorganisation" in this prospectus, our Company became the holding company of the companies now comprising our Group. The financial information includes the combined statements of financial position as at 31 March 2015, 2016 and 2017 and 30 September 2017 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the three years ended 31 March 2017 and for the six months ended 30 September 2017 and a summary of significant accounting policies and other explanatory information. The financial information relating to our Group for the Track Record Period has been prepared as if our Company had always been the holding company of our Group.

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The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period have been prepared to present the results and cash flows of the companies now comprising our Group, as if our group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period or since the respective dates of incorporation where this is a shorter period. The combined statements of the financial position of our Group as at 31 March 2015, 2016 and 2017 and 30 September 2017 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared in accordance with accounting policies which conform to the HKFRS. We have identified certain accounting policies that are significant to the preparation of our financial information and are important in understanding our financial condition and results of operations. These significant accounting policies are set out in note 3 to the Accountants' Report on Historical Financial Information contained in Appendix I to this prospectus. The principal accounting policies adopted in preparing our financial information are as follows:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts, returns and allowances.

Revenue generated from the sale of goods is recognised when the goods are delivered and titles have passed and at which time all the following conditions are satisfied:

- our Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- our Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers, under the customer membership programme of our Group, are accounted for as multiple element revenue transaction and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be redeemed. Such consideration is not recognised as revenue at the time of the initial sale transaction but is deferred and recognised as revenue when the award credits are redeemed and our Group's obligations have been fulfilled.

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Consignment commission represents commission earned for goods consigned to our Group and the income is recognised when the services are rendered.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Taxation

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

The tax currently payable is based on the taxable profit for the year/period. Taxable profit differs from “profit before taxation” as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Our 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 the temporary differences between the carrying amounts of assets and liabilities and corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences 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.

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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which our Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

FINANCIAL INFORMATION

Property, plant and equipment

Property, plant and equipment are stated in our combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories represent mainly finished goods held for resale (including packaged and unpackaged goods) and are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale.

Impairment losses on tangible assets

At the end of the reporting period, our Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, our Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

FINANCIAL INFORMATION

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of our Group's accounting policies, which are described in note 3 to the Accountant's Report on Historical Financial Information set out in Appendix I to this prospectus, our Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. See note 4 to the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus for details.

SUMMARY OF RESULTS OF OPERATIONS

The following table sets forth a summary of financial information for the years and periods indicated of our consolidated results of operations, which have been extracted from the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus.

	For the year ended 31 March			For the six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	48,598	82,106	103,424	47,720	55,650
Cost of sales	(21,862)	(32,463)	(40,222)	(18,521)	(21,994)
Gross profit	26,736	49,643	63,202	29,199	33,656
Other income	1	660	105	32	147
Selling and distribution expenses	(9,279)	(18,492)	(23,651)	(11,131)	(15,081)
Administrative and operating expenses	(8,844)	(10,760)	(17,705)	(7,358)	(9,740)
Interest expense on bank borrowing	–	–	(24)	–	(92)
Other expense	–	–	–	–	(550)
Listing expenses	–	–	(8,672)	(4,058)	(1,246)
Profit before taxation	8,614	21,051	13,255	6,684	7,094
Income tax expense	(1,330)	(3,460)	(3,655)	(1,788)	(1,485)
Profit and total comprehensive income for the year/period	7,284	17,591	9,600	4,896	5,609

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DISCUSSION OF SELECTED COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Our revenue represents the net invoiced value of goods sold net of discounts, returns and allowances. Our revenue is mainly derived from the sale of our beauty and health products, which can mainly be categorised into (i) skincare products; (ii) cosmetic products; and (iii) food and health supplements. We also act as consignee for some suppliers when their products are sold at our Retail Stores or Online Shop on consignment basis whereby we are entitled to the consignment commission based on the amount of sales of the consignor's products and the predetermined percentage as agreed by the consignor and us.

The following table sets forth a breakdown of our Group's revenue during the years and periods indicated.

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Sale of our products	47,635	98.0	80,382	97.9	101,171	97.8	46,430	97.3	55,319	99.4
Consignment commission	963	2.0	1,724	2.1	2,253	2.2	1,290	2.7	331	0.6
Total	48,598	100.0	82,106	100.0	103,424	100.0	47,720	100.0	55,650	100.0

For the three years ended 31 March 2017 and for the six months ended 30 September 2017, the sale of our products accounted for approximately 98.0%, 97.9%, 97.8% and 99.4%, respectively, of our total revenue, whilst consignment commission accounted for approximately 2.0%, 2.1%, 2.2% and 0.6%, respectively, of our total revenue. The ratio of revenue generated from the sale of our products to total revenue remained relatively stable for the three years ended 31 March 2017 and increased slightly for the six months ended 30 September 2017 primarily due to the reduction in consignment commission. The decrease in consignment commission by approximately 74.3% from approximately HK\$1.3 million for the six months ended 30 September 2016 to approximately HK\$0.3 million for the six months ended 30 September 2017 was mainly attributable to (i) the cessation of certain consignment arrangements to allow us to focus on our own products; and (ii) one consignor, which consigned 9 consignment products with us at 31 March 2017, becoming our supplier during the six months ended 30 September 2017.

FINANCIAL INFORMATION

Revenue generated from the sale of our products by sales channels

The sales channels of our products mainly consist of Retail Stores, Online Shop, Independent Third Party Consignees and distributor. The following table sets forth a breakdown of our revenue generated from the sale of our products by sales channels during the years and periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Retail Stores	44,859	94.1	76,850	95.6	96,870	95.7	44,342	95.5	53,939	97.5
Online Shop	1,840	3.9	2,830	3.5	3,399	3.4	1,748	3.8	1,101	2.0
Consignment sales ^(Note)	936	2.0	550	0.7	320	0.3	199	0.4	93	0.2
Distributor	–	–	152	0.2	582	0.6	141	0.3	186	0.3
Total	47,635	100.0	80,382	100.0	101,171	100.0	46,430	100.0	55,319	100.0

Note: Our products are also offered for sale by other retailers or Independent Third Party consignees on a consignment basis.

Retail Stores

During the Track Record Period, the majority of the sales of our products was made through our Retail Stores.

Movement of our Retail Stores during the Track Record Period: During the year ended 31 March 2015, we opened a Retail Store in Central and as a result, we had five Retail Stores respectively located in Central, Causeway Bay, Tsim Sha Tsui, Shatin and Yuen Long. During the year ended 31 March 2016, we relocated our Retail Stores in Causeway Bay and Tsim Sha Tsui from upper-floor location to street-front location and closed down the Retail Store in Central as our Group was unable to reach an agreement with the landlord for the renewal of the tenancy agreement upon the expiration thereof with terms and conditions that were acceptable by us and thus, we had four Retail Stores upon closing of the year ended 31 March 2016.

During the year ended 31 March 2017, we opened two Retail Stores in Tsuen Wan and Mongkok, respectively, and relocated our Retail Store in Shatin. During the six months ended 30 September 2017, we opened three Retail Stores in Quarry Bay, Tuen Mun and Tseung Kwan O, respectively. Hence, as at the Latest Practicable Date, we had three Retail Stores strategically located in prime shopping areas including Causeway Bay, Tsim Sha Tsui and Mongkok and six in local shopping areas including Shatin, Yuen Long, Tsuen Wan, Quarry Bay, Tuen Mun and Tseung Kwan O.

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For the three years ended 31 March 2017 and for the six months ended 30 September 2017, revenue generated from the sale of our products through Retail Stores amounted to approximately HK\$44.9 million, HK\$76.9 million, HK\$96.9 million and HK\$53.9 million, respectively, which accounted for approximately 94.1%, 95.6%, 95.7% and 97.5% of the revenue generated from the sale of our products, respectively. During the year ended 31 March 2016, revenue generated from the sale of our products through Retail Stores recorded a significant increase of approximately HK\$32.0 million as compared to the previous year. Our Directors believe that (i) by relocating our two Retail Stores from the upper-floor locations to street-front locations in Tsim Sha Tsui and Causeway Bay, which attracted more consumer traffic flow; (ii) our increased marketing and promotional activities together with large-scale brand-building marketing campaign, incurring expenses of approximately HK\$3.6 million for the year ended 31 March 2016 as compared to approximately HK\$1.0 million for the previous year; and (iii) the launch of new products which generated approximately HK\$23.9 million in revenue generated from the sale of our products for the year ended 31 March 2016, as compared to approximately HK\$12.0 million for the previous year, had led to the increase in the revenue generated from our Retail Stores and our overall revenue. Our Group's marketing and promotional expenses remained stable at approximately HK\$3.9 million for the year ended 31 March 2017 as compared to that of the previous year. For the year ended 31 March 2017, revenue generated from the sale of our products through Retail Stores recorded an increase of approximately HK\$20.0 million as compared to the previous year. Our Directors believe that the increase in the revenue generated from our Retail Stores and our overall revenue was primarily due to (i) the commencement of business of our Retail Store in Tsuen Wan since April 2016 soon after the closure of our Retail Store in Central in March 2016 as our Retail Store in Tsuen Wan, being located in a major local shopping mall, had a relatively higher consumer traffic flow by carrying on business for seven days a week whereas our Retail Store in Central was closed on Saturday evening and Sunday; (ii) the commencement of business of our Retail Store in Mongkok, a prime shopping area, since October 2016; and (iii) the overall increase in sales volumes of our products across all product categories and the increase in the average selling price of our skincare products during the year ended 31 March 2017. During the year ended 31 March 2017, the launch of new products by our Group generated approximately HK\$29.8 million in revenue generated from the sale of our products, representing approximately 29.5% of the revenue generated from the sale of our products. For the six months ended 30 September 2017, revenue generated from the sale of our products through Retail Stores recorded an increase of approximately HK\$9.6 million as compared to the corresponding period in the previous year. Our Directors believe that the increase in the revenue generated from our Retail Stores and our overall revenue was primarily due to (i) the business generated from our four new Retail Stores in Mongkok, Quarry Bay, Tuen Mun and Tseung Kwan O, which had not commenced business during the corresponding period in the previous year; and (ii) the overall increase in sales volume as well as average selling price of our products during the six months ended 30 September 2017.

FINANCIAL INFORMATION

We set forth below a breakdown of our revenue generated from the sale of our products from our Retail Stores for the years and periods indicated:

	For the year ended 31 March			For the six months ended 30 September	
	2015	2016	2017	2016	2017
Store Location	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Causeway Bay	14,476	26,817	29,869	14,662	13,368
Tsim Sha Tsui	12,114	20,811	21,563	11,427	8,585
Central <i>(Note 1)</i>	4,458	6,717	–	–	–
Shatin	7,712	12,150	13,753	6,095	6,311
Yuen Long	6,099	10,355	11,150	5,410	4,776
Tsuen Wan <i>(Note 2)</i>	–	–	12,583	6,748	5,070
Mongkok <i>(Note 2)</i>	–	–	7,952	–	6,536
Quarry Bay <i>(Note 3)</i>	–	–	–	–	4,226
Tuen Mun <i>(Note 3)</i>	–	–	–	–	3,201
Tseung Kwan O <i>(Note 3)</i>	–	–	–	–	1,866
Total	44,859	76,850	96,870	44,342	53,939

Notes:

1. We closed our Retail Store in Central as our Group was unable to reach an agreement with the landlord for the renewal of the tenancy agreement upon its expiration during the year ended 31 March 2016.
2. Our Retail Stores in Tsuen Wan and Mongkok were opened in the year ended 31 March 2017.
3. Our Retail Stores in Quarry Bay, Tuen Mun and Tseung Kwan O were opened during the six months ended 30 September 2017.

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Along with the growth in our revenue generated from our Retail Stores, the total profit contribution from our Retail Stores also increased during the Track Record Period. The following table sets forth the profit contribution of each of our Retail Stores during the years and periods indicated:

	For the year ended 31 March			For the six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 1)	(Note 1)	(Note 1)		
Store Location					
Causeway Bay	5,926	10,129	11,976	5,810	4,781
Tsim Sha Tsui	5,198	8,872	8,487	4,458	2,887
Shatin	2,145	4,356	4,955	2,109	1,794
Yuen Long	1,795	3,734	4,034	1,910	1,566
Central	1,179	2,402	–	–	–
Tsuen Wan (Note 2)	–	(21)	4,895	2,685	1,654
Mongkok	–	–	3,028	–	2,247
Quarry Bay	–	–	–	–	1,375
Tuen Mun	–	–	–	–	1,096
Tseung Kwan O	–	–	–	–	546
Total	16,243	29,472	37,375	16,972	17,946

Notes:

1. This represents the gross profit of the relevant Retail Stores less the relevant selling and distribution expenses (including rental expenses for Retail Stores, salaries, allowances and commission, marketing expenses, credit card processing charges, depreciation and other selling and distribution expenses).
2. We incurred expenses of approximately HK\$21,000 for the year ended 31 March 2016, in regards to the set up of our new Retail Store in Tsuen Wan which commenced business in April 2016.

FINANCIAL INFORMATION

The following table sets forth the average spending per customer visit in our Retail Stores during the years and periods indicated:

Store Location	For the year ended 31 March			For the six months ended	
				30 September	
	2015 HK\$	2016 HK\$	2017 HK\$	2016 HK\$	2017 HK\$
Causeway Bay	975	1,010	930	915	1,073
Tsim Sha Tsui	820	907	820	791	939
Shatin	717	874	904	873	979
Yuen Long	714	835	827	775	937
Central	877	1,025	–	–	–
Tsuen Wan	–	–	816	798	892
Mongkok	–	–	864	–	872
Quarry Bay	–	–	–	–	1,071
Tuen Mun	–	–	–	–	1,009
Tseung Kwan O	–	–	–	–	1,084

For the three years ended 31 March 2017 and for the six months ended 30 September 2017, the average spending per customer visit of our Retail Stores was approximately HK\$830, HK\$933, HK\$867 and HK\$978, respectively. The average spending per customer visit decreased by approximately 7.1% for the year ended 31 March 2017 despite the increase in revenue during the same year as compared to the preceding year. Our Directors consider that such decrease was primarily due to the increased accessibility and visibility of our Retail Stores as a result of (i) relocation of our Retail Stores in Causeway Bay and Tsim Sha Tsui from upper-floor locations to street-front locations during the year ended 31 March 2016; and (ii) the opening of our two new Retail Stores in Tsuen Wan and Mongkok during the year ended 31 March 2017, whereby more new customers were attracted to shop at these new Retail Stores and these new customers generally tend to purchase our products in a smaller quantity at the beginning before they understand and appreciate our products. As a result, the average spending per customer visit of our Retail Stores had dropped slightly for the year ended 31 March 2017 despite the increase in our total revenue for the same year. For the six months ended 30 September 2017, the average spending per customer visit increased by approximately 16.7% as compared to the corresponding period in the previous year. Our Directors consider that such increase was primarily due to (i) the launch and sale of our new products, including bundled and set products, of higher retail prices; and (ii) the promotional sale of our products, including bundled and set products of higher retail prices, during the respective opening month of each of our three new Retail Stores in Quarry Bay, Tuen Mun and Tseung Kwan O.

FINANCIAL INFORMATION

Online Shop

We operate our Online Shop at www.mimingmart.com. Our Online Shop contains our product catalogue, which includes information, photos, ingredients, usage, features, benefits and videos of our products. Our Online Shop allows our customers to learn more about our products and purchase our products at any time and anywhere in the world thereby optimising their shopping experience.

For each of the three years ended 31 March 2017 and for the six months ended 30 September 2017, revenue generated from the sale of our products through our Online Shop amounted to approximately HK\$1.8 million, HK\$2.8 million, HK\$3.4 million and HK\$1.1 million, respectively, which accounted for approximately 3.9%, 3.5%, 3.4% and 2.0% of the revenue generated from the sale of our products, respectively.

For the year ended 31 March 2016, our revenue from the sale of our products through our Online Shop increased by approximately HK\$1.0 million or approximately 53.8% as compared to the previous year. For the year ended 31 March 2017, our revenue from the sale of our products through our Online Shop increased by approximately HK\$0.6 million or approximately 20.1% as compared to the previous year, which is in line with the increase in the revenue generated from the sale of our products. The increase in our revenue from the sale of our products through our Online Shop during the three years ended 31 March 2017 was mainly due to increased marketing and promotional activities especially in online media and social networking platforms and the increased brand recognition of “mi ming mart”. For the six months ended 30 September 2017, our revenue from the sale of our products through our Online Shop decreased by approximately HK\$0.6 million or approximately 37.0% as compared to the corresponding period in the previous year. Our Directors believe such decrease mainly resulted from the promotional sales for the opening of our three Retail Stores during the period and certain promotional sales for the celebration of our 8th anniversary in August 2017 not being extended to our Online Shop and thus, our customers, who were mainly local customers, may have been inclined to purchase our products from our Retail Stores rather than our Online Shop.

Consignment sales

To complement our self-operated Retail Stores and Online Shop, we also sell our products via Independent Third Party consignees. For each of the three years ended 31 March 2017 and for the six months ended 30 September 2017, revenue generated from our consignment sales amounted to approximately HK\$0.9 million, HK\$0.6 million, HK\$0.3 million and HK\$0.1 million, respectively, which accounted for approximately 2.0%, 0.7%, 0.3% and 0.2% of the revenue generated from the sale of our products, respectively. We had two consignees in Hong Kong and one in Macau for the sale of our products at the beginning of the Track Record Period. In July 2016, we entered into a consignment arrangement with a new consignee in Hong Kong. Our revenue generated from consignment sales decreased from approximately HK\$0.9 million for the year ended 31 March 2015 to approximately HK\$0.6 million for the year ended 31 March 2016 and from approximately HK\$0.6 million for the year ended 31 March 2016 to approximately HK\$0.3 million for the year ended 31 March 2017. Our revenue generated from consignment sales decreased from approximately HK\$0.2 million for the six months ended 30 September 2016 to approximately HK\$0.1 million for the six months ended 30 September 2017. The decrease was due to our cessation of the consignment sales arrangement with two consignees in Hong Kong respectively following the closure of the store of a consignee in August 2015 and the expiration of the consignment contract with two consignees in December 2015 and February 2017, respectively. As a result, our revenue contributed by consignment sales decreased during the Track Record Period.

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Distributor

To expand the geographic coverage of our products and complement our self-operated Retail Stores and Online Shop, we granted a non-exclusive distributorship right to a distributor in Taiwan in October 2015 for the sale of “Synergie Skin” and “Synergie Minerals” branded products in Taiwan. For the two years ended 31 March 2017 and for the six months ended 30 September 2017, our revenue generated from the distributor amounted to approximately HK\$0.2 million, approximately HK\$0.6 million and approximately HK\$0.2 million, respectively, which accounted for approximately 0.2%, 0.6% and 0.3% of our revenue generated from the sale of our products, respectively.

Revenue by product category

The products sold by us can mainly be categorised into three main categories, namely, (i) skincare products; (ii) cosmetic products; and (iii) food and health supplements. Set out below is the breakdown of sales of our products by product category during the years and periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Skincare	34,246	71.9	58,139	72.3	72,186	71.3	31,708	68.3	40,865	73.9
Cosmetics	6,141	12.9	8,264	10.3	12,346	12.2	6,103	13.1	5,572	10.1
Food and health supplements	5,292	11.1	9,802	12.2	9,066	9.0	5,326	11.5	5,102	9.2
Others ^(Note)	1,956	4.1	4,177	5.2	7,573	7.5	3,293	7.1	3,780	6.8
Total	47,635	100.0	80,382	100.0	101,171	100.0	46,430	100.0	55,319	100.0

Note: Other products mainly include (i) personal care products like deodorant and hair products; (ii) other general merchandise; (iii) any product or set of products that cannot be singly classified into skincare product, cosmetic product or food and health supplements; and (iv) the sales generated from any single sale of product(s) referred to in (i), (ii) and (iii) above after deducting the face value of the discount coupon (where no designated product is specified) used for such purchase.

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The following tables set forth a summary of the sales volume and average selling price per unit of our products by product category during the years and periods indicated. For the purpose of the tables below, a “unit” refers to a single item or a bundle of items packaged as a set, for instance, gift packages.

Sales volume

(approximate unit)

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	Unit	%	Unit	%	Unit	%	Unit	%	Unit	%
Skincare	97,000	58.4	146,000	58.6	159,000	53.4	76,000	52.4	88,000	57.1
Cosmetics	21,000	12.7	29,000	11.6	46,000	15.4	21,000	14.5	22,000	14.3
Food and health supplements	35,000	21.1	51,000	20.5	54,000	18.1	30,000	20.7	24,000	15.6
Others	13,000	7.8	23,000	9.3	39,000	13.1	18,000	12.4	20,000	13.0
Total	166,000	100.0	249,000	100.0	298,000	100.0	145,000	100.0	154,000	100.0

Average selling price per unit

(approximately)

	For the year ended 31 March			For the six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$	HK\$	HK\$	HK\$	HK\$
Skincare	355	399	453	419	465
Cosmetics	294	290	268	288	249
Food and health supplements	149	191	167	178	218
Others	153	178	196	186	186
Average	288	323	340	321	359

Analysis of the sales volume and average selling price of our products by product category

Skincare products

During the Track Record Period, the revenue generated from the sale of our skincare products amounted to approximately HK\$34.2 million, HK\$58.1 million, HK\$72.2 million and HK\$40.9 million, respectively, which represented approximately 71.9%, 72.3%, 71.3% and 73.9% of our revenue generated from the sale of our products, respectively.

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The revenue generated from the sale of our skincare products increased by approximately 69.8% from approximately HK\$34.2 million for the year ended 31 March 2015 to approximately HK\$58.1 million for the year ended 31 March 2016 and further increased by approximately 24.2% to approximately HK\$72.2 million for the year ended 31 March 2017. The revenue generated from the sale of our skincare products increased by approximately 28.9% from approximately HK\$31.7 million for the six months ended 30 September 2016 to approximately HK\$40.9 million for the six months ended 30 September 2017.

On the other hand, the sales volume of our skincare products increased by approximately 50.5% from approximately 97,000 units for the year ended 31 March 2015 to approximately 146,000 units for the year ended 31 March 2016. The sales volume of our skincare products increased by approximately 8.9% to approximately 159,000 units for the year ended 31 March 2017 and by approximately 15.8% from approximately 76,000 units for the six months ended 30 September 2016 to 88,000 units for the six months ended 30 September 2017.

The increase in revenue generated from the sale of our skincare products was mainly attributable to (i) the increase in the sales of the then existing skincare products and in particular our launch of a marketing and promotion activity related to the promotion of certain “Synergie Skin” products, including the facial mask namely “MasquErase” of different packing sizes; and (ii) the increase in the sales of new skincare products, including bundled and set products, with a higher retail price for the year ended 31 March 2016. For the year ended 31 March 2017, the increase in revenue generated from the sale of our skincare products was primarily due to the increase in the sale of new products, including bundled and set products with higher retail prices, which was partially offset by the decrease in sales of old products, some of which had been discontinued during the year. For the six months ended 30 September 2017, the increase in revenue generated from the sale of our skincare products was primarily due to the increase in the sale of existing and new products, particularly the promotional sales for our 8th anniversary in August 2017 and opening of three Retail Stores during June, July and August 2017, respectively. The increase in sales volume of our skincare products during the Track Record Period was mainly due to the increase in the product types and mix.

The average selling price of our skincare products was approximately HK\$355, HK\$399, HK\$453 and HK\$465 per unit for the three years ended 31 March 2017 and for the six months ended 30 September 2017 respectively. Our Directors considered that the overall increase in the average selling price during the Track Record Period was mainly attributable to (i) increased sales of existing products with higher retail prices, and (ii) the introduction and sale of new skincare products, including bundled and set products, also commanding higher retail prices during the Track Record Period.

Cosmetic products

During the Track Record Period, the revenue generated from the sale of our cosmetic products amounted to approximately HK\$6.1 million, HK\$8.3 million, HK\$12.3 million and HK\$5.6 million, representing approximately 12.9%, 10.3%, 12.2% and 10.1% of our revenue generated from the sale of our products respectively.

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The revenue generated from the sale of our cosmetic products increased by approximately 34.6% from approximately HK\$6.1 million for the year ended 31 March 2015 to approximately HK\$8.3 million for the year ended 31 March 2016, which was due to our launch of new cosmetic products under the brand of “Synergie Minerals” and increase of our product types and product mix. The revenue generated from the sale of our cosmetic products increased by approximately 49.4% from approximately HK\$8.3 million for the year ended 31 March 2016 to approximately HK\$12.3 million for the year ended 31 March 2017, which was mainly due to the increase in the sales of a few sunblock foundation products under the brand of “Synergie Minerals” (the “**Sunblock Foundation Products**”) during the year and the increase of our product types and product mix. The revenue generated from the sale of our cosmetic products decreased by approximately 8.7% from approximately HK\$6.1 million for the six months ended 30 September 2016 to approximately HK\$5.6 million for the six months ended 30 September 2017, which was mainly due to (i) the focus of our marketing activities being shifted away from our Sunblock Foundation Products as compared to the corresponding period in the previous year; and (ii) the introduction of new products of lower retail prices.

On the other hand, the sales volume of our cosmetic products increased by approximately 38.1% from approximately 21,000 units for the year ended 31 March 2015 to approximately 29,000 units for the year ended 31 March 2016, which is in line with the growth in our revenue generated from cosmetic products during the year ended 31 March 2016. The sales volume of our cosmetic products further increased by approximately 58.6% to approximately 46,000 units for the year ended 31 March 2017, which is also in line with the growth in our revenue generated from cosmetic products during the year. The sales volume of our cosmetic products increased by approximately 4.8% from approximately 21,000 units for the six months ended 30 September 2016 to approximately 22,000 units for the six months ended 30 September 2017, which was mainly due to the introduction of two new brands of cosmetic products of lower retail prices, which was partially offset by the decrease in the sales volume of our Sunblock Foundation Products during the same period.

The average selling price of our cosmetic products remained at approximately HK\$294 and HK\$290 per unit for the two years ended 31 March 2016, respectively, and decreased slightly to approximately HK\$268 per unit for the year ended 31 March 2017 and approximately HK\$249 per unit for the six months ended 30 September 2017 mainly due to the increased sales of cosmetic products with lower retail prices.

Food and health supplements

During the Track Record Period, the revenue generated from the sale of our food and health supplement products amounted to approximately HK\$5.3 million, HK\$9.8 million, HK\$9.1 million and HK\$5.1 million, respectively, which represented approximately 11.1%, 12.2%, 9.0% and 9.2% of our revenue generated from the sale of our products, respectively.

The revenue generated from the sale of our food and health supplement products increased by approximately 85.2% from approximately HK\$5.3 million for the year ended 31 March 2015 to approximately HK\$9.8 million for the year ended 31 March 2016. The revenue generated from the sale of our food and health supplement products decreased slightly to approximately HK\$9.1 million for the year ended 31 March 2017. The revenue generated from the sale of our food and health supplement products decreased slightly by approximately 4.2% from approximately HK\$5.3 million for the six months ended 30 September 2016 to approximately HK\$5.1 million for the six months ended 30 September 2017.

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On the other hand, the sales volume of our food and health supplement products increased by approximately 45.7% from approximately 35,000 units for the year ended 31 March 2015 to approximately 51,000 units for the year ended 31 March 2016. The sales volume of our food and health supplement products increased slightly by approximately 5.9% from approximately 51,000 units for the year ended 31 March 2016 to approximately 54,000 units for the year ended 31 March 2017. The sales volume of our food and health supplement products decreased by approximately 23.3% from approximately 30,000 units for the six months ended 30 September 2016 to approximately 23,000 units for the six months ended 30 September 2017, which was mainly due to (i) the discontinuation of sale of two food and health supplement products; and (ii) the decrease in sales of our fruit chip products, which was partially offset by the introduction and sales of a new food and health supplement product.

The increase in revenue generated from the sale of our food and health supplement products and the increase in sales volume thereof for the year ended 31 March 2016 was due to (i) the increase in the average selling price of our food and health supplement products by approximately 28.2% during the year ended 31 March 2016 as compared to the previous year; (ii) the introduction of new health supplements, such as the health supplements officially launched for sale under the brand of “Mayella” during the year ended 31 March 2016; and (iii) the increase in the sale of products, including bundled and set products, with higher retail prices. The slight decrease in revenue generated from the sale of our food and health supplement products for the year ended 31 March 2017 of approximately 7.5% as compared to the previous year was mainly due to the decrease in the average selling price of our food and health supplement products by approximately 12.6% during the year ended 31 March 2017 which was partially set off by an increase in sales volume of approximately 5.9% as compared to the previous year. The slight decrease in revenue generated from the sale of our food and health supplement products for the six months ended 30 September 2017 of approximately 4.2% as compared to the corresponding period in the previous year was mainly due to (i) the discontinuation of two food and health supplement products; and (ii) the decrease in sale of our fruit chip products, which was partially offset by the introduction and sales of a new food and health supplement product commanding a higher retail price.

For the two years ended 31 March 2016, the average selling price of food and health supplement products increased from approximately HK\$149 to approximately HK\$191 per unit. Our Directors considered that such increase in the average selling price was mainly attributable to the introduction and sale of new food and health supplement products, including bundled and set products, commanding higher retail prices during the year ended 31 March 2016. The average selling price dropped from approximately HK\$191 per unit for the year ended 31 March 2016 to approximately HK\$167 per unit for the year ended 31 March 2017. Such decrease in the average selling price of our food and health supplement products was mainly attributable to the increase in the sales volume of lower priced items and decrease in the sales volume of higher priced items, a few of which were discontinued, during the year ended 31 March 2017. The average selling price of our food and health supplement products increased from approximately HK\$167 per unit for the year ended 31 March 2017 to approximately HK\$218 per unit for the six months ended 30 September 2017, which was primarily due to the decrease in sales of fruit chip products with low retail price and the introduction and sales of one new food and health supplement product with a high retail price.

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Others

Other products mainly include (i) personal care products like deodorant and hair products; (ii) other general merchandise; (iii) any product or set of products that cannot be singly classified into skincare product, cosmetic product or food and health supplements; and (iv) the sales generated from any single sale of product(s) referred to in (i), (ii) and (iii) above after deducting the face value of the discount coupon (where no designated product is specified) used for such purchase. During the Track Record Period, the revenue generated from the sale of our other products amounted to approximately HK\$2.0 million, HK\$4.2 million, HK\$7.6 million and HK\$3.8 million, respectively, which represented approximately 4.1%, 5.2%, 7.5% and 6.8% of our revenue generated from the sale of our products, respectively.

The revenue generated from the sale of our other products increased by approximately 113.5% from approximately HK\$2.0 million for the year ended 31 March 2015 to approximately HK\$4.2 million for the year ended 31 March 2016. The revenue generated from the sale of our other products increased by approximately 81.3% from approximately HK\$4.2 million for the year ended 31 March 2016 to approximately HK\$7.6 million for the year ended 31 March 2017 and by approximately 14.8% from approximately HK\$3.3 million for the six months ended 30 September 2016 to approximately HK\$3.8 million for the six months ended 30 September 2017.

On the other hand, the overall sales volume of our other products increased by approximately 76.9% from approximately 13,000 units for the year ended 31 March 2015 to approximately 23,000 units for the year ended 31 March 2016 and further increased by approximately 69.6% to approximately 39,000 units for the year ended 31 March 2017 and by approximately 11.1% for the six months ended 30 September 2017 as compared to the corresponding period in the previous year, which is in line with the increase in the revenue generated from the sale of our other products during the respective years/period.

The overall increase in revenue generated from the sale of our other products and the overall increase in sales volume thereof during the Track Record Period was mainly due to the increase in the variety of products and merchandise offered for sale by us during the respective years, and the introduction and promotion of new haircare products for the year ended 31 March 2017 and the six months ended 30 September 2017.

The average selling price of our other products was approximately HK\$153, HK\$178, HK\$196 and HK\$186 per unit for each of the three years ended 31 March 2017 and for the six months ended 30 September 2017, respectively. Our Directors considered that the overall increase in the average selling price for the three years ended 31 March 2017 was mainly attributable to the introduction and sale of new haircare products, including bundled and set products, commanding higher retail prices during the respective years. The average selling price of our other products decreased slightly by approximately 5.1% for the six months ended 30 September 2017 as compared to that for the year ended 31 March 2017 primarily due to the discontinuance of a haircare product with high retail value during the six months ended 30 September 2017.

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Revenue by exclusive brand products

As at the Latest Practicable Date, we offered more than 300 kinds of products in over 35 brands. During the Track Record Period, we were the exclusive distributor of the brands “Synergie Skin” and “Synergie Minerals” in Hong Kong, the PRC, Macau and Taiwan; “pHion” in Hong Kong and Macau; and “Mayella”, “Secret Garden” (the production and sale of which was ceased by its brand owner in December 2016) and “Snow Fox” in Hong Kong. In December 2017, we became the exclusive distributor of the brand “Plabeau” in Hong Kong. The following table sets forth a breakdown of our revenue generated from the sale of our products by the exclusive brands for the years and periods indicated:–

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Exclusive brands										
Synergie Skin	20,863	43.8	42,574	53.0	51,450	50.9	24,323	52.4	30,072	54.4
Synergie Minerals	4,295	9.0	6,944	8.6	10,524	10.4	5,242	11.3	3,782	6.8
pHion	2,153	4.5	3,216	4.0	5,101	5.0	2,687	5.8	2,574	4.7
Mayella <i>(Note 1)</i>	–	–	2,565	3.2	2,659	2.6	988	2.1	1,229	2.2
Secret Garden <i>(Note 1)</i>	1,401	3.0	1,966	2.4	1,010	1.0	634	1.4	–	–
Snow Fox <i>(Note 2)</i>	–	–	–	–	–	–	–	–	30	0.1
Sub-total	28,712	60.3	57,265	71.2	70,744	69.9	33,874	73.0	37,687	68.2
Non-exclusive brands	18,923	39.7	23,117	28.8	30,427	30.1	12,556	27.0	17,632	31.8
Total	47,635	100.0	80,382	100.0	101,171	100.0	46,430	100.0	55,319	100.0

Notes:

1. In December 2016, the brand owner of “Secret Garden” shifted its focus to promoting the “Mayella” brand and since then, ceased production and sale of skincare products under this brand.
2. We began selling “Snow Fox” branded skincare products on a non-exclusive basis since May 2017. During this period, the revenue generated from the sale of “Snow Fox” branded products amounted to approximately HK\$1.4 million. We obtained the exclusive distributorship of “Snow Fox” branded products in Hong Kong on 26 September 2017. From 26 to 30 September 2017, the revenue generated from the sale of “Snow Fox” branded products amounted to approximately HK\$30,000.

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The following tables set forth a summary of sales volume and average selling price per unit of our products by the exclusive brands for the years and periods indicated:–

Sales volume (approximate unit)

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	Unit	%	Unit	%	Unit	%	Unit	%	Unit	%
Exclusive brands										
Synergie Skin	46,000	27.7	91,000	36.5	102,000	34.2	50,000	34.5	58,000	37.7
Synergie Minerals	13,000	7.8	23,000	9.2	34,000	11.4	17,000	11.7	12,000	7.8
pHion	10,000	6.0	15,000	6.0	24,000	8.1	13,000	9.0	12,000	7.8
Mayella	–	–	10,000	4.0	10,000	3.4	4,000	2.8	5,000	3.1
Secret Garden	4,000	2.4	6,000	2.4	3,000	1.0	2,000	1.4	–	–
Snow Fox (Note)	–	–	–	–	–	–	–	–	120	0.1
Sub-total	73,000	43.9	145,000	58.1	173,000	58.1	86,000	59.4	87,120	56.5
Non-exclusive brands	93,000	56.1	104,000	41.9	125,000	41.9	59,000	40.6	66,880	43.5
TOTAL	166,000	100.0	249,000	100.0	298,000	100.0	145,000	100.0	154,000	100.0

Note: We began selling “Snow Fox” branded skincare products on a non-exclusive basis since May 2017. During this period, the sales volume of “Snow Fox” branded was approximately 6,000 units. We obtained the exclusive distributorship of “Snow Fox” branded products in Hong Kong on 26 September 2017. From 26 to 30 September 2017, the sales volume of “Snow Fox” branded products was approximately 120 units.

Average selling price per unit (approximately)

	For the year ended 31 March			For the six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$	HK\$	HK\$	HK\$	HK\$
Exclusive brands					
Synergie Skin	455	469	505	482	514
Synergie Minerals	337	297	305	317	316
pHion	221	208	211	213	219
Mayella	–	262	266	254	271
Secret Garden	315	350	357	354	–
Snow Fox	–	–	–	–	267
Non-exclusive brands	204	222	243	213	263
TOTAL	288	323	340	321	359

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Both “Synergie Skin” and “Synergie Minerals” brands were owned by Synergie, our largest supplier during the Track Record Period. “Synergie Skin” is a brand for skincare products whereas “Synergie Minerals” is a brand for cosmetic products, both of which are imported from Australia.

Synergie Skin

For the three years ended 31 March 2017 and for the six months ended 30 September 2017, revenue generated from the sale of “Synergie Skin” products amounted to approximately HK\$20.9 million, HK\$42.6 million, HK\$51.5 million and HK\$30.1 million, respectively, which accounted for approximately 43.8%, 53.0%, 50.9% and 54.4% of the revenue generated from the sale of our products, respectively. For the two years ended 31 March 2016, the revenue generated from the sale of “Synergie Skin” products increased by approximately HK\$21.7 million, or approximately 104.1%, which was mainly due to (i) our increased marketing and promotional activities on the “Synergie Skin” products, especially the launch of a marketing campaign featuring a facial mask skincare product, namely, “MasquErase” by “Synergie Skin” in May 2015; and (ii) the launch of a series of new skincare products with a higher retail price during the year ended 31 March 2016. For the year ended 31 March 2017, the revenue generated from sale of “Synergie Skin” products increased by approximately HK\$8.9 million, or approximately 20.8%, as compared to the previous year which was mainly due to the launch of several bundled packages of products and sales of an additional number of new skincare products with a higher retail price. For the six months ended 30 September 2017, revenue generated from the sale of “Synergie Skin” products increased by approximately HK\$5.7 million, or approximately 23.6%, as compared to the corresponding period in the previous year which was mainly due to the sales of new skincare products with a higher retail price (including the bundled and set products launched for our 8th anniversary sale in August 2017 and the new store promotions for the opening of three Retail Stores in June, July and August 2017, respectively).

The sales volume for “Synergie Skin” products increased from approximately 46,000 units for the year ended 31 March 2015 to approximately 91,000 units for the year ended 31 March 2016, representing an increase of approximately 97.8%, which is in line with the increase in revenue generated from the sale of “Synergie Skin” products during the year ended 31 March 2016. For the year ended 31 March 2017 and for the six months ended 30 September 2017, the sales volume for “Synergie Skin” products increased by approximately 12.1% and 16.0% as compared to the previous year and period, respectively, which is also in line with the increase in the revenue generated from the sale of “Synergie Skin” branded products during the corresponding period.

The average selling price of “Synergie Skin” products was approximately HK\$455, HK\$469, HK\$505 and HK\$514 per unit for the three years ended 31 March 2017 and for the six months ended 30 September 2017, respectively. Our Directors considered that the overall increase in the average selling price during the Track Record Period was mainly attributable to (i) the introduction of a series of new products with higher retail prices during the two years ended 31 March 2017 and the six months ended 30 September 2017; and (ii) the launch of various types of bundled packages with higher retail prices during the year ended 31 March 2017 and the six months ended 30 September 2017.

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Synergie Minerals

For the three years ended 31 March 2017 and for the six months ended 30 September 2017, revenue generated from the sale of “Synergie Minerals” products amounted to approximately HK\$4.3 million, HK\$6.9 million, HK\$10.5 million and HK\$3.8 million, respectively, which accounted for approximately 9.0%, 8.6%, 10.4% and 6.8% of our revenue generated from the sale of our products, respectively. For the year ended 31 March 2016, the revenue generated from the sale of “Synergie Minerals” products increased by approximately HK\$2.6 million, or approximately 61.7%, as compared to the previous year which was mainly due to our launch of new products and the increase of product types and product mix during the year ended 31 March 2016, including a number of eye-makeup products, facial brushes, concealers and lip products in addition to the facial foundation products we used to offer to our customers.

For the year ended 31 March 2017, the revenue generated from the sale of “Synergie Minerals” products increased by approximately HK\$3.6 million, or approximately 51.6%, as compared to the previous year which was mainly due to our launch of new products and the increase of product types and product mix during the year ended 31 March 2017, including a number of lip and concealer products in addition to the facial foundation products we used to offer to our customers, and the increase in sales of our Sunblock Foundation Products. For the six months ended 30 September 2017, the revenue generated from the sale of “Synergie Minerals” products decreased by approximately HK\$1.5 million, or approximately 27.9%, as compared to the corresponding period in the previous year which was mainly due to the focus of our marketing activities being shifted away from our Sunblock Foundation Products as compared to the corresponding period in the previous year.

The sales volume for “Synergie Minerals” products increased from approximately 13,000 units for the year ended 31 March 2015 to approximately 23,000 units for the year ended 31 March 2016, representing an increase of approximately 76.9%, which was mainly attributable to the increase of product types and mix during the year ended 31 March 2016 by including a number of eye-makeup products, facial brushes, concealers and lip products in addition to the facial foundation products we used to offer to our customers. For the year ended 31 March 2017, the sales volume for “Synergie Minerals” products increased by approximately 47.8% as compared to the corresponding period in the previous year, which was mainly due to the launch of new cosmetic products. For the six months ended 30 September 2017, the sales volume for “Synergie Minerals” products decreased by approximately 29.4% as compared to the corresponding period in the previous year, which was in line with the decrease in the revenue generated from the sale of “Synergie Minerals” branded products during the corresponding period.

For the two years ended 31 March 2016, the average selling price of “Synergie Minerals” products decreased from approximately HK\$337 to approximately HK\$297 per unit. Our Directors considered that such decrease in the average selling price was mainly attributable to the launch of new products such as eye-makeup products, facial brushes, concealers and lip products with lower retail prices in the year ended 31 March 2016. The average selling price increased slightly from approximately HK\$297 per unit for the year ended 31 March 2016 to approximately HK\$305 per unit for the year ended 31 March 2017, which was mainly due to the increase in sales of our sunblock foundation product with a higher retail price due to marketing promotion for this product launched in June 2016. The average selling price increased from approximately HK\$305 per unit for the year ended 31 March 2017 to approximately HK\$316 per unit for the six months ended 30 September 2017 primarily due to more Sunblock Foundation Products with higher retail price being sold during the summer.

FINANCIAL INFORMATION

Other exclusive brands

For each of the three years ended 31 March 2017 and for the six months ended 30 September 2017, the aggregate revenue generated from the sale of products under the “pHion”, “Mayella”, “Secret Garden” (which had been ceased for production and sale in December 2016) and “Snow Fox” brands amounted to approximately HK\$3.6 million, HK\$7.7 million, HK\$8.8 million and HK\$3.8 million, respectively, which accounted for approximately 7.5%, 9.6%, 8.6% and 7.0% of our revenue generated from the sale of our products, respectively. For the six months ended 30 September 2017, the aggregate revenue generated from the sale of products under the “pHion”, “Mayella”, “Secret Garden” (which had been ceased for production and sale in December 2016) and “Snow Fox” brands decreased by approximately HK\$0.5 million, or approximately 11.0%, as compared to the corresponding period in the previous year.

For the two years ended 31 March 2016, the aggregate sales volume for “pHion”, “Mayella” and “Secret Garden” products increased by approximately 121.4% which was mainly attributable to the official launch of Mayella branded products during the year ended 31 March 2016 and the increase in sale of other products under these brands mainly as a result of our increasing marketing and promotional activities in promoting these products. For the year ended 31 March 2017, the aggregate sales volume for “pHion”, “Mayella” and “Secret Garden” brand increased by approximately 19.4% as compared to the previous year. For the six months ended 30 September 2017, the aggregate sales volume for “pHion”, “Mayella”, “Secret Garden” and “Snow Fox” brand decreased by approximately 9.9% as compared to the corresponding period in the previous year, which was mainly due to (i) the net effect of the cessation and sale of “Secret Garden” branded skincare products, which were re-introduced as “Mayella” branded skincare products; and (ii) the decrease in the sales volume of certain “pHion” and “Mayella” branded health food and supplement products primarily due to the focus of our marketing activities being shifted away from these health food and supplement products during the period.

The average selling price of “pHion” products remained stable, which was approximately HK\$221 and HK\$208, HK\$211 and HK\$219 per unit for the three years ended 31 March 2017 and for the six months ended 30 September 2017, respectively. The average selling price of “Secret Garden” products was approximately HK\$315 and HK\$350, HK\$357 per unit for each of the three years ended 31 March 2017, respectively. The overall increase was mainly attributable to the increase in sales of products with higher retail prices.

The average selling price of “Mayella” branded products was approximately HK\$262, HK\$266 and HK\$271 per unit for the two years ended 31 March 2017 and for the six months ended 30 September 2017, respectively, which was relatively stable throughout the years and period. The average selling price of “Snow Fox” branded products was approximately HK\$267 per unit for the six months ended 30 September 2017.

The average selling price of non-exclusive products were approximately HK\$204, HK\$222, HK\$243 and HK\$263 per unit for each of the three years ended 31 March 2017 and for the six months ended 30 September 2017, respectively. The average prices during the Track Record Period fluctuated within approximately 28.9% as a result of different product types and product mix offered by us.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales mainly comprises the cost of inventories sold, commission expenses to consignees, and incoming shipping, freight and delivery charges. The following table sets forth a breakdown of our cost of sales during the years and periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							(unaudited)			
Cost of inventories sold	21,644	99.0	32,175	99.1	39,924	99.3	18,319	99.0	21,891	99.5
Commission expenses	117	0.5	67	0.2	42	0.1	27	0.1	14	0.1
Incoming shipping, freight and delivery charges	101	0.5	221	0.7	256	0.6	175	0.9	89	0.4
Total cost of sales	21,862	100.0	32,463	100.0	40,222	100.0	18,521	100.0	21,994	100.0

Cost of inventories sold is the major component of our cost of sales representing the costs of products charged by our suppliers (determined on the basis of a number of factors including the prevailing market conditions, the volume of orders and the type of products) which accounted for approximately 99.0%, 99.1%, 99.3% and 99.5% of our total cost of sales for each of the three years ended 31 March 2017 and for the six months ended 30 September 2017, respectively.

Commission expenses to consignees represent the commission paid to the consignees when our products are sold through them. The incoming shipping, freight and delivery charges mainly represent the incoming shipping and freight charges and other procurement related costs associated with the purchase of products from suppliers.

No direct cost is incurred for the revenue generated from consignment commission from sales of consignor products.

Our cost of sales increased by approximately 48.5% from the year ended 31 March 2015 to the year ended 31 March 2016 and further increased by approximately 23.9% for the year ended 31 March 2017 as compared to the previous year, and by approximately 18.8% for the six months ended 30 September 2017 as compared to the corresponding period in the previous year, which was mainly attributable to the increase in sales during the respective years/period.

Our total cost of sales represents approximately 45.0%, 39.5%, 38.9% and 39.5% of our total revenue for each of the three years ended 31 March 2017 and for the six months ended 30 September 2017, respectively.

FINANCIAL INFORMATION

Gross profit

Gross profit represents the excess of turnover over cost of sales.

We adopt a cost-plus pricing model in determining the price of our products. We consider the procurement costs, sales and marketing costs, the expected profit margins, the prevailing currency rates, the expected level of sales, the perceived market trend and demand, and the market analysis of the retail price of similar products to ensure that our price is competitive in the market. For the products offered for sale by some suppliers in our Retail Stores or Online Shop on a consignment basis, the consignor will determine the pricing of the products. We are entitled to the consignment commission based on the amount of sales of the consignor's products and the predetermined percentage as agreed by the consignor and us. The consignment commission received by us represents our gross profit as no direct cost is incurred. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, we recorded total gross profit of approximately HK\$26.7 million, HK\$49.6 million, HK\$63.2 million and HK\$33.7 million, respectively, and overall gross profit margin of approximately 55.0%, 60.5%, 61.1% and 60.5%, respectively.

The following table sets forth a summary of gross profit and gross profit margin by product category during the years and periods indicated:

Gross profit by product category	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	Margin %	HK\$'000	Margin %	HK\$'000	Margin %	HK\$'000	Margin %	HK\$'000	Margin %
	(unaudited)									
Sale of our products										
Skincare	19,974	58.3	37,326	64.2	46,333	64.2	20,484	64.6	26,179	64.1
Cosmetics	2,907	47.3	4,647	56.2	7,075	57.3	3,410	55.9	3,130	56.2
Food and health supplements	2,562	48.4	4,605	47.0	4,726	52.1	2,770	52.0	2,611	51.2
Others ^(Note)	330	16.9	1,341	32.1	2,815	37.2	1,245	37.8	1,405	37.2
Sub-total	25,773	54.1	47,919	59.6	60,949	60.2	27,909	60.1	33,325	60.2
Consignment commission	963	100.0	1,724	100.0	2,253	100.0	1,290	100.0	331	100.0
Gross profit	26,736	55.0	49,643	60.5	63,202	61.1	29,199	61.2	33,656	60.5

Note: Other products mainly include (i) personal care products like deodorant and hair products; (ii) other general merchandise; (iii) any product or set of products that cannot be singly classified into skincare product, cosmetic product or food and health product; and (iv) the sales generated from any single sale of product(s) referred to in (i), (ii) and (iii) above after deducting the face value of the discount coupon (where no designated product is specified) used for such purchase.

For the two years ended 31 March 2016, the gross profit margin for skincare products increased from approximately 58.3% to approximately 64.2%, whereas the gross profit margin for cosmetic products increased from approximately 47.3% to approximately 56.2%. The increase was mainly due to the higher discount upon bulk purchase of skincare and cosmetic products from one of our major suppliers and the benefit from the depreciation of Australian dollar against Hong Kong dollar during the year ended 31 March 2016 as compared to the previous year for payment of our purchases of inventory in Australian dollar. As to the former, pursuant to the exclusive distribution agreement we entered into with this major supplier, we are entitled to a progressive cumulative discount rate in calculating the wholesale price of certain products if our purchase of products in the preceding six months exceeded the pre-determined amount set out in the agreement.

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For the year ended 31 March 2017, the gross profit margin for skincare products remained stable, while the gross profit margin for cosmetic products increased from approximately 56.2% to approximately 57.3% mainly due to a higher discount being offered from one of our major suppliers in respect of its cosmetic products since September 2016.

For the six months ended 30 September 2016 and 2017, the gross profit margin for skincare products and cosmetic products remained stable.

For the two years ended 31 March 2016, the gross profit margin for food and health supplements products remained stable. Our gross profit margin for food and health supplements products increased from approximately 47.0% for the year ended 31 March 2016 to approximately 52.1% for the year ended 31 March 2017 mainly due to the lesser amount of bundled products offered for sale for our customers during the year. For the six months ended 30 September 2016 and 2017, the gross profit margin for food and health supplements products remained stable.

For the year ended 31 March 2015, the gross profit margin for other products was approximately 16.9% due to the various discounts (including discount coupons where no designated product is specified) offered for the customers. For the two years ended 31 March 2017 and the six months ended 30 September 2017, the gross profit margin for other products remained over 30%.

For the three years ended 31 March 2017 and for the six months ended 30 September 2017, approximately 39.2%, 46.0%, 41.9% and 42.8% of our total purchases were settled in Australian dollar, respectively.

Our purchases made in Australian dollar are translated into Hong Kong dollar at prevailing rate relevant at the time of settlement of the transaction or settled with the Australian dollar maintained by us. From the year ended 31 March 2015 to the year ended 31 March 2016, our effective exchange rate of Hong Kong dollar to Australian dollar decreased by approximately 12.9%. Once we had received the products by shipment and confirmed that the quantity was correct, we would settle the supplier's invoices in Australian dollars by purchasing Australian dollars at the then prevailing rate or by the Australian dollars maintained by our Group. Hence, by taking advantage of the decrease of the exchange rate of the Australian dollar against Hong Kong dollar from 2015 to 2016, the cost of our products could be reduced correspondingly, resulting in a higher gross profit margin. Assuming the effective exchange rate for financial year 2016 had remained the same as that for financial year 2015, the gross margin would have decreased by approximately 2.7%.

From the year ended 31 March 2016 to the year ended 31 March 2017, our effective exchange rate of Hong Kong dollar to Australian dollar remained stable.

From the year ended 31 March 2017 to the six months ended 30 September 2017, our effective exchange rate of Hong Kong dollar to Australian dollar increased by approximately 3.0%. As a result of the increase in effective exchange rate, the cost of our products purchased in Australian dollar had increased correspondingly, resulting in a lower gross profit margin. Assuming the effective exchange rate for the six months ended 30 September 2017 had remained the same as that for the financial year 2017, our gross profit margin would have increased by approximately 0.5%.

FINANCIAL INFORMATION

During the Track Record Period, we had not maintained any hedging policy in respect of our exposure to fluctuation in Australian dollar. Our Directors consider that our policy to maintain sufficient Australian dollar for payment of purchases for about three months and keeping of about two months' inventory, with reference to our historical sales, will provide us with a sufficient buffer to minimise our exposure to the fluctuation in Australian dollar. For further details of our foreign currency risk management, please refer to the paragraph headed "Financial risk management objectives and policies – Foreign currency risk" in this section.

For the three years ended 31 March 2017 and for the six months ended 30 September 2017, the increase in our overall gross profit was mainly in line with the increase in our overall revenue.

Other income

The following table sets forth a breakdown of our other income during the years and periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Exchange gain	–	0.0	71	10.8	17	16.2	–	0.0	124	84.4
Gain on disposal of property, plant and equipment	–	0.0	583	88.3	–	–	–	0.0	–	0.0
Sundry income	1	100.0	6	0.9	88	83.8	32	100.0	23	15.6
Total	1	100.0	660	100.0	105	100.0	32	100.0	147	100.0

During the Track Record Period, other income mainly included the gain made on disposal of a motor vehicle, exchange gain recognised upon translation of our Australian dollar deposits and sundry income.

FINANCIAL INFORMATION

Selling and distribution expenses

The following table sets forth a breakdown of our selling and distribution expenses during the years and periods indicated:

	For the year ended 31 March						For the six months ended 30 September					
	2015		2016		2017		2016		2017		(unaudited)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Rental expenses												
for Retail Stores	3,819	41.1	6,340	34.3	8,305	35.2	3,717	33.4	5,375	35.6		
Salaries, allowance												
and commission	2,733	29.5	5,511	29.8	7,907	33.4	3,372	30.3	4,589	30.4		
Marketing expenses	963	10.4	3,608	19.5	3,884	16.4	2,508	22.5	2,803	18.6		
Credit card processing												
charges	1,021	11.0	1,987	10.7	1,799	7.6	827	7.4	953	6.3		
Depreciation	436	4.7	588	3.2	1,147	4.8	421	3.8	962	6.4		
Others	307	3.3	458	2.5	609	2.6	286	2.6	399	2.7		
Total	9,279	100.0	18,492	100.0	23,651	100.0	11,131	100.0	15,081	100.0		

Our selling and distribution expenses primarily consist of (i) rent and rental related expenses for our Retail Stores; (ii) salaries and allowances for sales staff, and sales commission; (iii) marketing expense for marketing campaigns and advertisement; (iv) credit card processing charges on credit card payment by our customers and service charges on electronic payment by our customers; and (v) depreciation on leasehold improvements and equipment of our Retail Stores.

For each of the three years ended 31 March 2017 and for the six months ended 30 September 2017, our selling and distribution expenses represented approximately 19.1%, 22.5%, 22.9% and 27.1% of our total revenue, respectively.

The increase in both rent and rental related expenses for our Retail Stores was mainly attributable to the opening and relocation of our Retail Stores, and the additional rental payments based on the increased sales achieved by certain Retail Stores pursuant to the terms of tenancy agreements of the relevant Retail Stores. Since October 2014, we started implementing a sales commission scheme to incentivise our frontline sales persons, the increase in salaries and allowance was mainly related to the additional staff recruited. For each of the three years ended 31 March 2017 and for the six months ended 30 September 2017, our sales commission amounted to approximately HK\$0.1 million, HK\$0.9 million, HK\$1.2 million and HK\$0.5 million, respectively. The increase in marketing expenses for the year ended 31 March 2016 and the six months ended 30 September 2017 was mainly attributable to the increasing efforts in marketing activities with more media utilised including television, outdoor billboards, newspapers, magazines and online videos. The credit card processing charges corresponded to the growth in sales of our Group's products for the year ended 31 March 2016 but decreased slightly by approximately HK\$0.2 million during the year ended 31 March 2017 mainly due to the more favourable rate offered by an electronic payment processing company, and increased slightly by approximately HK\$0.1 million during the six months ended 30 September 2017 as compared to the corresponding period in the previous year which corresponded to the growth in sales of our Group's products. Depreciation expenses increased primarily due to the addition of leasehold improvements in relation to the opening and relocation of our Retail Stores.

FINANCIAL INFORMATION

Administrative and operating expenses

The following table sets forth a breakdown of our administrative and operating expenses during the years and periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Salaries and allowances	3,297	37.3	4,209	39.1	8,130	45.9	3,367	45.8	4,417	45.3
Director's emoluments	2,933	33.2	2,776	25.8	3,440	19.4	1,393	18.9	1,818	18.7
Depreciation	671	7.6	669	6.2	881	5.0	414	5.6	470	4.8
Rent and rates	511	5.8	856	8.0	1,967	11.1	911	12.4	1,156	11.9
Legal and professional fees	314	3.6	485	4.5	621	3.5	172	2.3	372	3.8
Others	1,118	12.5	1,765	16.4	2,666	15.1	1,101	15.0	1,507	15.5
Total	8,844	100.0	10,760	100.0	17,705	100.0	7,358	100.0	9,740	100.0

Our administrative and operating expenses primarily consist of (i) salaries and allowances for administrative, operating and other non-sales staff; (ii) directors' emoluments; (iii) depreciation on the leasehold improvements of our offices and warehouse, motor vehicles and office equipment; (iv) rents, rates and management fees for our offices and warehouse; (v) auditors' remuneration, and legal and professional fees for general legal advisory service and services for staff training; and (vi) other expenses including general insurance, telecommunications, utilities and travelling expenses.

For each of the three years ended 31 March 2017 and for the six months ended 30 September 2017, our administrative and operating expenses represented approximately 18.2%, 13.1%, 17.1% and 17.5% of our total revenue, respectively.

Listing expenses

Listing expenses mainly comprise professional fees to reporting accountants, industry expert, legal and other professional parties for their services rendered in connection with the Listing. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, we incurred listing expenses of nil, nil, approximately HK\$8.7 million and approximately HK\$1.2 million, respectively. We commenced our preparation work for the Listing in April 2016 with the engagement of various professional parties.

Other expense

We incurred other expense of approximately HK\$0.6 million for the six months ended 30 September 2017 as payment for settlement of the legal proceedings involving the Group (please refer to the paragraph headed "Business – Litigation" in this prospectus for more details).

FINANCIAL INFORMATION

Income tax expense

Our income tax expense comprises Hong Kong profits tax. Hong Kong profits tax has been provided for at the rate of 16.5% for the three years ended 31 March 2017 and for the six months ended 30 September 2017 on the estimated assessable taxable profits arising in or derived from Hong Kong.

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, our Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

Our income tax expense was approximately HK\$1.3 million, HK\$3.5 million, HK\$3.7 million and HK\$1.5 million for each of the three years ended 31 March 2017 and for the six months ended 30 September 2017, respectively whereas the effective tax rate was approximately 15.4%, 16.4%, 27.6% and 20.9%, respectively. The higher effective tax rate for the year ended 31 March 2017 and for the six months ended 30 September 2017 was mainly attributable to the listing expenses and other expense incurred during the year/period which were not deductible for tax purpose.

Profit for the year/period

As a result of the foregoing, our profit for the year/period was approximately HK\$7.3 million, HK\$17.6 million, HK\$9.6 million and HK\$5.6 million for each of the three years ended 31 March 2017 and for the six months ended 30 September 2017, respectively. Our net profit margin during the Track Record Period was approximately 15.0%, 21.4%, 9.3% and 10.1%, respectively.

Review of historical operating results

Year ended 31 March 2016 compared with year ended 31 March 2015

Revenue

Our revenue increased by approximately HK\$33.5 million, or approximately 68.9%, from approximately HK\$48.6 million for the year ended 31 March 2015 to approximately HK\$82.1 million for the year ended 31 March 2016. The increase in our revenue was primarily driven by (i) our increased marketing and promotional activities together with large-scale brand-building marketing campaign; and (ii) the launch of new products. In addition, the relocation of our Retail Stores in each of Tsim Sha Tsui and Causeway Bay from upper-floor location to street-front location had attracted more consumer traffic flow and enhanced the market recognition of our brand. It is noteworthy that the increase in revenue from skincare products of approximately HK\$23.9 million from approximately HK\$34.2 million for the year ended 31 March 2015 to approximately HK\$58.1 million for the year ended 31 March 2016 accounted for approximately 73.0% of the increase in revenue from the sale of our products of approximately HK\$32.7 million for the year ended 31 March 2016.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales increased from approximately HK\$21.9 million for the year ended 31 March 2015 to approximately HK\$32.5 million for the year ended 31 March 2016. The increase in cost of sales of approximately HK\$10.6 million or approximately 48.5% was principally attributable to increase in cost of inventories sold as a result of the increase in sales of our products for the year. The ratio of cost of inventories sold to sales of our products decreased from approximately 45.4% for the year ended 31 March 2015 to approximately 40.0% for the year ended 31 March 2016 which was mainly due to (i) the higher discount upon bulk purchase of skincare and cosmetic products from one of our major suppliers pursuant to the terms of the exclusive distribution agreement we entered into with the supplier, whereby we are entitled to a progressive cumulative discount rate in calculating the wholesale price of certain products if our purchase of products in the preceding six months exceeded the pre-determined amount set out in the agreement; and (ii) the benefit from the depreciation of Australian dollar against Hong Kong dollar during the year ended 31 March 2016 as compared to the previous years for payment of our purchases of inventory in Australian dollar.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately HK\$22.9 million or approximately 85.7% from approximately HK\$26.7 million for the year ended 31 March 2015 to approximately HK\$49.6 million for the year ended 31 March 2016. Our gross profit margin increased from approximately 55.0% for the year ended 31 March 2015 to approximately 60.5% for the year ended 31 March 2016, which was mainly due to the higher discount upon bulk purchase of skincare and cosmetic products from one of our major suppliers as mentioned above.

Other income

Our other income increased from approximately HK\$1,000 for the year ended 31 March 2015 to approximately HK\$660,000 for the year ended 31 March 2016 mainly due to the one-off gain from the disposal of a motor vehicle during the year ended 31 March 2016.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK\$9.2 million, or approximately 99.3%, from approximately HK\$9.3 million for the year ended 31 March 2015 to approximately HK\$18.5 million for the year ended 31 March 2016. The increase in selling and distribution expenses during the year was mainly attributable to (i) increase in salaries, allowance and commission of approximately HK\$2.8 million relating to the employment of more sales staff to cope with the increasing sales; (ii) increase in rent and rental related expenses for our Retail Stores of approximately HK\$2.5 million in respect of rental increase together with the relocation of our two Retail Stores from upper-floor locations to street-front locations; (iii) increase in marketing expenses of approximately HK\$2.6 million on our marketing campaign; (iv) increase in credit card and electronic payment processing charges of approximately HK\$1.0 million resulting from the increase in sales settled by credit card and electronic payment; and (v) the additional rental payments based on the increased sales achieved by certain Retail Stores pursuant to the terms of tenancy agreements of the relevant Retail Stores.

FINANCIAL INFORMATION

Administrative and operating expenses

Our administrative and operating expenses increased by approximately HK\$1.9 million from approximately HK\$8.8 million for the year ended 31 March 2015 to approximately HK\$10.8 million for the year ended 31 March 2016. The increase was mainly attributable to (i) increase in salaries and allowances of approximately HK\$0.9 million relating mainly to the employment of more marketing, warehouse and logistics staff; and (ii) increase in other operating expenses of approximately HK\$0.6 million.

Income tax expense

Income tax expense of approximately HK\$1.3 million and HK\$3.5 million was recognised for the two years ended 31 March 2016, respectively. Our effective tax rate was approximately 15.4% and 16.4% for the two years ended 31 March 2016, respectively. Our Hong Kong profits tax is calculated at 16.5% of the estimated assessable taxable profits during the Track Record Period and our effective tax rate of 15.4% in 2015 was mainly due to the under-provision of deferred tax in previous years.

Net profit for the year and net profit margin

As a result of the foregoing, our net profit increased by approximately HK\$10.3 million or approximately 141.5% from approximately HK\$7.3 million for the year ended 31 March 2015 to approximately HK\$17.6 million for the year ended 31 March 2016 whilst our net profit margin increased from approximately 15.0% to approximately 21.4% for the respective years.

Year ended 31 March 2017 compared with year ended 31 March 2016

Revenue

Our revenue increased by approximately 26.0% from approximately HK\$82.1 million for the year ended 31 March 2016 to approximately HK\$103.4 million for the year ended 31 March 2017. The increase of revenue was primarily driven by (i) the commencement of business of our Retail Store in Tsuen Wan since April 2016 soon after the closure of our Retail Store in Central in March 2016 as our Retail Store in Tsuen Wan, being located in a major local shopping mall, had a relatively higher consumer traffic flow by carrying on business for seven days a week whereas our Retail Store in Central was closed on Saturday evening and Sunday; (ii) the commencement of business of our Retail Store in Mongkok since October 2016; and (iii) the overall increase in sales volumes of our products across all product categories and the increase in the average selling price of our skincare products during the year ended 31 March 2017.

Cost of sales

Our cost of sales increased by approximately 23.9% from approximately HK\$32.5 million for the year ended 31 March 2016 to approximately HK\$40.2 million for the year ended 31 March 2017. The increase of approximately HK\$7.7 million was mainly due to the increase in the cost of inventories sold mainly as a result of the increase in sales during the year. The ratio of cost of inventories sold to sales of our products remained relatively stable at approximately 40.0% for the year ended 31 March 2016 and approximately 39.5% for the year ended 31 March 2017.

FINANCIAL INFORMATION

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 27.3% from approximately HK\$49.6 million for the year ended 31 March 2016 to approximately HK\$63.2 million for the year ended 31 March 2017. Our gross profit margin slightly increased from approximately 60.5% for the year ended 31 March 2016 to approximately 61.1% for the year ended 31 March 2017.

Other income

Our other income decreased from approximately HK\$660,000 for the year ended 31 March 2016 to approximately HK\$105,000 for the year ended 31 March 2017 mainly due to the one-off gain from disposal of a motor vehicle during the year ended 31 March 2016.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK\$5.2 million or approximately 27.9% from approximately HK\$18.5 million for the year ended 31 March 2016 to approximately HK\$23.7 million for the year ended 31 March 2017. The increase was mainly due to (i) the increase in salaries, allowance and commission of approximately HK\$2.4 million relating to the employment of more sales staff to cope with the increasing sales; (ii) the increase in rent and rental related expenses of approximately HK\$2.0 million as a result of the opening of our Retail Stores in Tsuen Wan and Mongkok and the additional rental payments based on the increased sales achieved by certain Retail Stores pursuant to the terms of tenancy agreements of the relevant Retail Stores; and (iii) increase in depreciation of approximately HK\$0.6 million primarily attributable to the additions of leasehold improvements in relation to the opening of two new Retail Stores and the relocation of our Retail Store in Shatin during the year.

Administrative and operating expenses

Our administrative and operating expenses increased by approximately HK\$6.9 million or approximately 64.5% from approximately HK\$10.8 million for the year ended 31 March 2016 to approximately HK\$17.7 million for the year ended 31 March 2017. The increase was primarily attributable to (i) increased staff costs of approximately HK\$3.9 million relating to increased headcount in our marketing department, creative department, warehouse and logistics department to support our business expansion as we did not expand our administrative and operating team at the same rate as the growth in our business during the year ended 31 March 2016; (ii) increased rental expenses of approximately HK\$1.1 million for our two new offices since December 2015 and December 2016 respectively, and relocation of our warehouse in June 2016; and (iii) increase in directors' emoluments of approximately HK\$0.7 million.

Listing expenses

Our listing expenses amounted to approximately HK\$8.7 million for the year ended 31 March 2017 as we commenced the preparation work for the Listing in April 2016. No such listing expenses were incurred for the year ended 31 March 2016.

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Income tax expense

Income tax expense of approximately HK\$3.5 million and HK\$3.7 million was recognised for the two years ended 31 March 2017, respectively. Our effective tax rate increased from approximately 16.4% for the year ended 31 March 2016 to approximately 27.6% for the year ended 31 March 2017 mainly attributable to the incurrence of listing expenses during the year ended 31 March 2017, which were non-deductible for tax purposes.

Net profit for the year and net profit margin

As a result of the foregoing, our net profit decreased by approximately HK\$8.0 million or approximately 45.4% from approximately HK\$17.6 million for the year ended 31 March 2016 to approximately HK\$9.6 million for the year ended 31 March 2017, whilst our net profit margin decreased from approximately 21.4% to approximately 9.3% for the respective years.

After being adjusted for the non-recurring listing expenses, our Group's normalised net profit margin would be approximately 17.7% for the year ended 31 March 2017 due to the net effect of the increase in revenue and the increase in our selling and distribution expenses as well as our administrative and operating expenses during the year for the aforesaid reasons.

Six months ended 30 September 2017 compared with six months ended 30 September 2016

Revenue

Our revenue increased by approximately 16.6% from approximately HK\$47.7 million for the six months ended 30 September 2016 to approximately HK\$55.7 million for the six months ended 30 September 2017. The increase in revenue was primarily driven by (i) the business generated from our four new Retail Stores in Mongkok, Quarry Bay, Tuen Mun and Tseung Kwan O, which had not commenced business during the corresponding period in the previous year; and (ii) the overall increase in sales volume as well as average selling price of our products during the six months ended 30 September 2017.

Cost of sales

Our cost of sales increased by approximately 18.8% from approximately HK\$18.5 million for the six months ended 30 September 2016 to approximately HK\$22.0 million for the six months ended 30 September 2017. The increase of approximately HK\$3.5 million was mainly due to the increase in the cost of inventories sold primarily as a result of the increase in sales during the period. The ratio of cost of inventories sold to sales of our products remained relatively stable at approximately 39.5% for the six months ended 30 September 2016 and approximately 39.6% for the six months ended 30 September 2017, respectively.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 15.3% from approximately HK\$29.2 million for the six months ended 30 September 2016 to approximately HK\$33.7 million for the six months ended 30 September 2017. Our gross profit margin slightly decreased from approximately 61.2% for the six months ended 30 September 2016 to approximately 60.5% for the six months ended 30 September 2017.

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Other income

Our other income increased from approximately HK\$32,000 for the six months ended 30 September 2016 to approximately HK\$147,000 for the six months ended 30 September 2017 mainly due to the exchange gain recognised upon translation of our Australian dollar deposits during the six months ended 30 September 2017.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK\$4.0 million or approximately 35.5% from approximately HK\$11.1 million for the six months ended 30 September 2016 to approximately HK\$15.1 million for the six months ended 30 September 2017. The increase was mainly due to (i) the increase in rent and rental related expenses of approximately HK\$1.7 million as a result of four new Retail Stores in Mongkok, Quarry Bay, Tuen Mun and Tseung Kwan O, which had not commenced business during the corresponding period in the previous year; (ii) increase in salaries, allowances and commission of approximately HK\$1.2 million as a result of the employment of more sales staff during the period; and (iii) increase in depreciation expenses of approximately HK\$0.5 million primarily attributable to the additions of leasehold improvements in relation to our four new Retail Stores and the relocation of our Retail Store in Shatin.

Administrative and operating expenses

Our administrative and operating expenses increased by approximately HK\$2.3 million or approximately 32.4% from approximately HK\$7.4 million for the six months ended 30 September 2016 to approximately HK\$9.7 million for the six months ended 30 September 2017. The increase was primarily attributable to (i) increased staff costs of approximately HK\$1.1 million relating to increased headcount to support our four new Retail Stores in Mongkok, Quarry Bay, Tuen Mun and Tseung Kwan O, which had not commenced business during the corresponding period in the previous year; and (ii) the increase in directors' emoluments of approximately HK\$0.4 million due to a pay raise to one of the Directors in September 2016.

Interest expense on bank borrowing

Our interest expense on bank borrowing amounted to approximately HK\$92,000 for the six months ended 30 September 2017 while no such expense was incurred for the six months ended 30 September 2016.

Other expense

We incurred other expense of approximately HK\$0.6 million for the six months ended 30 September 2017 as payment for settlement of the legal proceedings involving the Group (please refer to the paragraph headed "Business – Litigation" in this prospectus for more details).

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Listing expenses

Our listing expenses amounted to approximately HK\$1.2 million for the six months ended 30 September 2017 and approximately HK\$4.1 million for the six months ended 30 September 2016.

Income tax expense

Income tax expense of approximately HK\$1.8 million and HK\$1.5 million was recognised for the six months ended 30 September 2016 and six months ended 30 September 2017, respectively. Our effective tax rate decreased from approximately 26.8% for the six months ended 30 September 2016 to approximately 20.9% for the six months ended 30 September 2017 mainly attributable to less listing expenses incurred during the six months ended 30 September 2017 as compared to those for the corresponding period in the previous year offset by an increase in other expense, both of which were non-deductible for tax purposes.

Net profit for the period and net profit margin

As a result of the foregoing, our net profit increased by approximately HK\$0.7 million or approximately 14.6% from approximately HK\$4.9 million for the six months ended 30 September 2016 to approximately HK\$5.6 million for the six months ended 30 September 2017, whilst our net profit margin decreased slightly from approximately 10.3% to approximately 10.1% for the respective periods. After being adjusted for the non-recurring listing expenses and other expense, our Group's normalised net profit margin would be approximately 13.3% for the six months ended 30 September 2017 mainly due to the net effect of the increase in revenue and the increase in our selling and distribution expenses as well as our administrative and operating expenses during the period for the aforesaid reasons.

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NET CURRENT ASSETS

The following table sets forth the net current assets of our Group as at the dates indicated:

		As at 31 March		As at 30 September	As at 30 November
	2015	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Current assets					
Inventories	3,699	5,942	7,463	8,570	9,412
Trade receivables	250	243	293	602	453
Deposits, prepayments and other receivables	1,021	1,390	5,496	5,482	6,083
Amount due from a director	372	404	–	–	–
Pledged bank deposit	–	–	3,200	3,200	3,200
Bank balances and cash	5,967	10,728	13,620	19,532	22,669
	11,309	18,707	30,072	37,386	41,817
Current liabilities					
Trade payables	809	1,911	989	1,282	2,126
Accrued expenses and other payables	2,230	2,413	3,362	3,120	2,758
Bank borrowing	–	–	4,839	6,023	5,462
Amount due to a director	893	487	–	–	–
Amount due to a related company	69	7	–	–	–
Tax payable	192	2,192	1,328	2,153	2,727
	4,193	7,010	10,518	12,578	13,073
Net current assets	7,116	11,697	19,554	24,808	28,744

Our net current assets increased by approximately HK\$4.6 million from approximately HK\$7.1 million as at 31 March 2015 to approximately HK\$11.7 million as at 31 March 2016 primarily due to:

- (i) an increase in inventories of approximately HK\$2.2 million as per our Group's policy to maintain two months' inventory based on anticipated sales taking into account the increase in our sales during the year ended 31 March 2016; and
- (ii) an increase in bank balances and cash of approximately HK\$4.8 million mainly resulting from the net effect of (a) net cash generated from operating activities of approximately HK\$17.9 million; (b) payment for purchase of, net of the proceeds from the disposal of property, plant and equipment of approximately HK\$2.9 million; and (c) repayment to, net of advances from, a director and payment of dividend of approximately HK\$10.2 million,

which is partially offset by an increase in tax payables of approximately HK\$2.0 million as a result of the significant increase in our assessable taxable profit for the year ended 31 March 2016.

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Our net current assets increased by approximately HK\$7.9 million from approximately HK\$11.7 million as at 31 March 2016 to approximately HK\$19.6 million as at 31 March 2017 primarily due to:

- (i) an increase in inventories of approximately HK\$1.5 million mainly resulting from the increased stocking of inventories in preparation for new product launch and promotions scheduled for April and May 2017, higher anticipated sales in the following two months taking into account the increased sales during the year ended 31 March 2017 as compared to the previous year, and opening of our new Retail Store in Quarry Bay in June 2017;
- (ii) an increase in deposits, prepayments and other receivables of approximately HK\$4.1 million which was primarily due to the increase in deferred listing costs of approximately HK\$2.6 million and increase in rental and utility deposits for our additional office since December 2016 to cope with the increase in staff headcount, our new Retail Stores in Mongkok and Tuen Mun, and for the relocation of the Retail Store in Shatin, and additional rental deposits in connection with releasing personal guarantees previously provided by our Directors for certain existing Retail Stores of approximately HK\$1.2 million;
- (iii) an increase in pledged bank deposit of approximately HK\$3.2 million for banking facilities granted to our Group;
- (iv) an increase of bank balances and cash of approximately HK\$2.9 million primarily resulting from the net effect of (a) net cash generated from operating activities of approximately HK\$3.6 million; (b) bank borrowing raised of approximately HK\$4.8 million as a result of the utilisation of our banking facilities for certain overseas purchases; (c) payment for purchase of property, plant and equipment of approximately HK\$2.3 million; and (d) placement of a pledged bank deposit of approximately HK\$3.2 million for banking facilities granted to our Group; and
- (v) decrease in trade payables of approximately HK\$0.9 million, primarily attributable to a lower level of product shipment to us by our suppliers near the year end date of 31 March 2017 as compared to the previous year,

which was partially offset by an increase in bank borrowing of approximately HK\$4.8 million as a result of the utilisation of our banking facilities for certain overseas purchases.

Our net current assets increased by approximately HK\$5.2 million from approximately HK\$19.6 million as at 31 March 2017 to approximately HK\$24.8 million as at 30 September 2017 primarily due to:

- (i) an increase in inventories of approximately HK\$1.1 million, which was mainly due to the increase in our purchase of inventories in preparation for (a) new product launch and promotions scheduled for October and November 2017; (b) higher anticipated sales in the following two months taking into account the increased sales during the six months ended 30 September 2017; and (c) the increased number of Retail Stores as at 30 September 2017 as compared to that as at 31 March 2017; and

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- (ii) an increase of bank balances and cash of approximately HK\$5.9 million primarily due to the net effect of (a) net cash generated from our Group's operating activities of approximately HK\$6.4 million; (b) payment for purchase of property, plant and equipment of approximately HK\$1.6 million; and (c) net bank borrowings raised of approximately HK\$1.2 million,

which was partially offset by (i) the increase in bank borrowing of approximately HK\$1.2 million and (ii) the increase in tax payable of approximately HK\$0.8 million, primarily as a result of the provision for the Hong Kong profits tax of approximately HK\$1.7 million which was offset by the payment of Hong Kong profits tax made amounting to approximately HK\$0.8 million for the six months ended 30 September 2017.

Our net current assets increased by approximately HK\$3.9 million from approximately HK\$24.8 million as at 30 September 2017 to approximately HK\$28.7 million as at 30 November 2017 primarily due to:

- (i) an increase in inventories of approximately HK\$0.8 million which was mainly due to the increase in our purchase of inventories in November 2017 in preparation for new product launch and Christmas sales promotion in December 2017;
- (ii) an increase of bank balances and cash of approximately HK\$3.1 million primarily due to the net effect of (a) net cash generated from our Group's operating activities of approximately HK\$3.8 million; and (b) net bank borrowings repaid of approximately HK\$0.6 million; and
- (iii) a decrease in bank borrowing of approximately HK\$0.6 million as a result of the repayment of the import loans,

which was partially offset by the increase in trade payables of approximately HK\$0.8 million, which was primarily due to the increase in our purchase of inventories in November 2017 as mentioned above.

FINANCIAL INFORMATION

DISCUSSION OF SELECTED COMPONENTS OF OUR FINANCIAL POSITION DURING THE TRACK RECORD PERIOD

Inventories

Our inventories comprised skincare products, cosmetic products, food and health supplements and other products (collectively the “**packaged goods**”), bulk skincare products for repackaging (the “**unpackaged goods**”), and packaging materials. Our inventories do not include products from consignors, which are considered as the consignors’ inventories.

The following table sets forth a breakdown of our inventory balances as of the dates indicated:

		As at 31 March		As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Packaged goods	2,948	4,004	6,061	7,070
Unpackaged goods and packaging materials	751	1,938	1,402	1,500
Total	3,699	5,942	7,463	8,570

Inventories amounted to approximately HK\$3.7 million, HK\$5.9 million, HK\$7.5 million and HK\$8.6 million, respectively, representing approximately 32.7%, 31.8%, 24.8% and 22.9% of our total current assets as at 31 March 2015, 31 March 2016 and 31 March 2017 and 30 September 2017, respectively. The increase in inventories by approximately HK\$2.2 million or approximately 60.6% from approximately HK\$3.7 million as at 31 March 2015 to approximately HK\$5.9 million as at 31 March 2016 was primarily due to the increase in inventories as per our Group’s policy to maintain two months’ inventory based on anticipated sales taking into account the increase in our sales during the year ended 31 March 2016. The increase in inventories by approximately HK\$1.5 million or approximately 25.6% from approximately HK\$5.9 million as at 31 March 2016 to approximately HK\$7.5 million as at 31 March 2017 was mainly attributable to the increase in our purchase of inventories in preparation for (i) new product launch and promotions scheduled for April and May 2017; (ii) higher anticipated sales in the following two months taking into account the increased sales during the year ended 31 March 2017 as compared to the previous year; and (iii) opening of our Retail Store in Quarry Bay in June 2017. The increase in inventories by approximately HK\$1.1 million or approximately 14.8% from approximately HK\$7.5 million as at 31 March 2017 to approximately HK\$8.6 million as at 30 September 2017 was mainly attributable to the increase in our purchase of inventories in preparation for (i) new product launch and promotions scheduled for October and November 2017; (ii) higher anticipated sales in the following two months taking into account the increased sales during the six months ended 30 September 2017; and (iii) the increased number of Retail Stores as at 30 September 2017 as compared to that as at 31 March 2017.

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The following table sets form the turnover days of our inventories for the years and period indicated below.

	For the six months ended			
	For the year ended 31 March		30 September	
	2015	2016	2017	2017
Inventory turnover days	64.4	54.7	61.3	67.0

Note: Inventory turnover days for the year or period is derived by dividing the average of the opening and closing balances of inventories for the relevant year or period by cost of inventories sold for the year or period and multiplying by 365 days for the three years ended 31 March 2017 and 183 days for the six months ended 30 September 2017, respectively.

Management normally keeps the stock level of our inventory for two months' sales. Our overall average inventory turnover days decreased from approximately 64.4 days for the year ended 31 March 2015 to approximately 54.7 days for the year ended 31 March 2016. The decrease was mainly attributable to the increase in demand for our products around the year ended 31 March 2016. Our inventory turnover days increased from approximately 54.7 days for the year ended 31 March 2016 to approximately 61.3 days for the year ended 31 March 2017, which was mainly due to the increased stocking of inventories in preparation for (i) new product launch and promotions scheduled for April and May 2017; (ii) higher anticipated sales in the following two months taking into account the increased sales during the year ended 31 March 2017 as compared to the previous year; and (iii) opening of our new Retail Store in Quarry Bay in June 2017. Our inventory turnover days increased from approximately 61.3 days for the year ended 31 March 2017 to approximately 67.0 days for the six months ended 30 September 2017, which was mainly due to the increase in our purchase of inventories in preparation for (i) new product launch and promotions scheduled for October and November 2017; (ii) higher anticipated sales in the following two months taking into account the increased sales during the six months ended 30 September 2017; and (iii) the increased number of Retail Stores as at 30 September 2017 as compared to that as at 31 March 2017.

During the Track Record Period, there were certain products, with an average inventory turnover days of 60 days or more, which our Group sourced through exclusive distributorships. As at 31 March 2015, 31 March 2016, 31 March 2017, and 30 September 2017, these product inventories amounted to approximately HK\$0.8 million, HK\$1.4 million, HK\$2.1 million and HK\$2.8 million respectively; and represented approximately 22.1%, 23.7%, 28.5%, and 32.3% of our Group's total inventories, respectively.

Given that our Group generally maintains an inventory level to cover two months' sales, of these product inventories with an average inventory turnover days of 60 days or more, which our Group sourced through exclusive distributorships, approximately HK\$0.6 million, HK\$0.7 million, HK\$1.4 million and HK\$2.0 million had been utilised or sold within two months subsequent to each of the three years ended 31 March 2017 and the six months ended 30 September 2017, respectively.

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Some of these products had an average inventory turnover days of 60 days or more due to reasons other than slow sales, such as increased stocking of inventory in preparation for promotions, advertising as well as for opening new Retail Stores, and as a result of longer shipping lead-time for certain suppliers.

During the Track Record Period, although there were products with an average inventory turnover days of 60 days or more, our Group was able to comply with the minimum purchase requirement under the exclusive distribution agreements.

The minimum purchase amount required by Synergie is AUD200,000 per calendar year (after discount). During the Track Record Period, the annual purchase of Synergie products by our Group (after discount) was approximately AUD1.3 million, AUD2.7 million, AUD3.0 million and AUD1.6 million, respectively, and our Group's sales of Synergie products was approximately HK\$25.2 million, HK\$49.5 million, HK\$62.0 million and HK\$33.9 million, respectively, which largely exceeded the minimal purchase amount stipulated in the relevant agreement.

In relation to the Pro Bio Skin Pty Ltd products, there is no minimum purchase requirement under the relevant agreement.

Under the agreement with Apex Wellness Group, LLC, being the brand owner of pHion branded products, if our Group fails to purchase an average of 1,000 bottles of products per month during a rolling three-month period, then Apex Wellness Group, LLC may relocate the distribution point to a location other than on the West Coast of the United States. As confirmed by Apex Wellness Group, LLC, except under circumstances in which Apex Wellness Group, LLC was unable to fully fulfil the order as made by our Group, our Group was in compliance with the minimum purchase requirement as stipulated in the relevant agreement from 1 April 2014 to 30 September 2017. As such, Apex Wellness Group, LLC has not relocated the distribution point.

In relation to the Snow Fox products, we began selling "Snow Fox" branded skincare products on a non-exclusive basis since May 2017. During this period, we were not subject to any minimum purchase amount. We obtained the exclusive distributorship of "Snow Fox" branded products on 26 September 2017. The minimum purchase amount required by Spa Monkeys Limited is HK\$900,000 per half year (April to September and October to March), with effect from 1 October 2017.

Management reviews our inventory levels on monthly basis and inventory aging analysis on quarterly basis. Since the amount of obsolete inventory identified was immaterial to our Group, we did not make any provision for our inventories during the Track Record Period.

As at the Latest Practicable Date, approximately 90.1% of our inventories as at 30 September 2017 had been utilised or sold.

Trade receivables

Our trade receivables mainly represent the outstanding amounts receivable by us from the electronic payment processors, cash collection security company and consignees. The average credit period on credit card sales and consignment sales is 2 days and up to 30 days, respectively. The balance of trade receivables within due dates mainly represents trade receivables arising from credit card sales.

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No credit terms have been granted to any customer of our Retail Stores, Online Shop or distributor.

The following table sets out the aging analysis of our trade receivables presented based on the revenue recognition date as at the dates indicated:

	As at 31 March		As at 30 September	
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	250	243	293	597
31 - 60 days	–	–	–	4
Over 60 days	–	–	–	1
	<u>250</u>	<u>243</u>	<u>293</u>	<u>602</u>

Our trade receivables remained steady at approximately HK\$250,000 and HK\$243,000 as at 31 March 2015 and 31 March 2016 respectively. Our trade receivables increased from approximately HK\$243,000 as at 31 March 2016 to approximately HK\$293,000 as at 31 March 2017 which was primarily due to slightly higher outstanding amounts from the electronic payment processors in respect of a higher level of credit card sales during the last day of March 2017 as compared with our credit card sales during the last day of March 2016. Our trade receivables increased from approximately HK\$293,000 as at 31 March 2017 to approximately HK\$602,000 as at 30 September 2017 which was primarily due to higher outstanding amounts from an electronic payment processor in respect of credit card sales generated near the period end date of 30 September 2017 as compared to those near the year end date of 31 March 2017.

As at the Latest Practicable Date, 99.7% of all outstanding trade receivables as at 30 September 2017 have been subsequently settled.

No material default of settlement was experienced by our Group during the Track Record Period.

The following table sets forth the turnover days of our trade receivables for the years and period indicated:

	For the year ended 31 March		For the six months ended 30 September	
	2015	2016	2017	2017
Trade receivables turnover days	1.8	1.1	0.9	1.5

Note: Trade receivables turnover days for the year or period indicated is derived by dividing the average of the opening and closing balances of trade receivables for the relevant year or period by our total revenue for the year or period and multiplying by 365 days for the three years ended 31 March 2017 and 183 days for the six months ended 30 September 2017, respectively.

Our trade receivables from electronic payment processors and the cash collection security company were normally settled within one to three days after the date the credit card sales are made and time of cash collection respectively. During the Track Record Period, the trade receivables turnover days were relatively stable.

As at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017, our Group's trade receivables amounting to approximately HK\$6,000, nil, HK\$4,000 and nil, respectively, were past due but not impaired at the end of the respective years for which our Group has not provided for impairment loss. Our management will review regularly the recoverability of our trade receivables.

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Deposits, prepayments and other receivables

The following tables sets forth a breakdown of our deposits, prepayments and other receivables as at the dates indicated:

	As at 31 March		As at 30 September	
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental and utility deposits	245	570	1,722	1,679
Prepayments	448	420	569	721
Deferred listing costs	–	–	2,564	2,715
Other receivables	328	400	641	367
	<u>1,021</u>	<u>1,390</u>	<u>5,496</u>	<u>5,482</u>

The deposits mainly represent the rental deposits made for our offices, warehouse and Retail Stores. The prepayments mainly refer to prepayments made for marketing expenses whilst deferred listing costs mainly refer to the payments made to the professional parties relating to the Listing. The other receivables mainly represent our balances kept at an online payment system.

Our deposits, prepayments and other receivables increased from approximately HK\$1.0 million as at 31 March 2015 to approximately HK\$1.4 million as at 31 March 2016 which was primarily related to the increase in rental deposits of our Retail Stores and office as compared to those in the preceding year.

Our deposits, prepayments and other receivables increased from approximated HK\$1.4 million as at 31 March 2016 to approximately HK\$5.5 million as at 31 March 2017 which was primarily due to the increase in (i) deferred listing costs of approximately HK\$2.6 million; and (ii) rental and utility deposits of HK\$1.1 million which was mainly attributable to the increase in rental deposits for our new office, our new Retail Stores in Mongkok and Tuen Mun, and for the relocation of our Retail Store in Shatin, and additional rental deposits in connection with releasing personal guarantees previously provided by our Directors for certain existing Retail Stores.

Our deposits, prepayments and other receivables remained stable at approximately HK\$5.5 million as at 31 March 2017 and 30 September 2017, respectively.

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Amounts due from a director

The amounts due from a director represented the advances made to our executive Director, Ms. Mimi Yuen. The following table sets for a breakdown of our amounts due from a director as at the dates indicated:

Name of Director	As at 31 March		As at 30 September	
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ms. Mimi Yuen	372	404	–	–

The movements on the amount due from Directors are as follows:

	For the year ended 31 March		For the six months ended 30 September	
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount due from Ms. Mimi Yuen				
At beginning of the year/period	–	372	404	–
Advance to a director	372	32	477	–
Repayment from a director	–	–	(881)	–
At end of the year/period	372	404	–	–

	For the year ended 31 March		For the six months ended 30 September	
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount due from Ms. Erica Yuen				
At beginning of the year/period	–	–	–	–
Advance to a director	–	–	2,147	–
Repayment from a director	–	–	(2,147)	–
At end of the year/period	–	–	–	–

The amounts were unsecured, non-interest bearing and have been settled by cash in full by our Director during the year ended 31 March 2017.

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Trade payables

Our trade payables primarily refer to the balances due to our suppliers. During the Track Record Period, we were generally granted a credit period of up to 40 days by our suppliers.

The following table illustrates the aging analysis of our trade payables based on the invoice date as at the dates indicated:

		As at 31 March		As at
	2015	2016	2017	30 September 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	798	1,883	987	1,280
31-60 days	–	12	–	–
Over 60 days	11	16	2	2
	<u>809</u>	<u>1,911</u>	<u>989</u>	<u>1,282</u>

We settle the trade payables according to the credit terms offered by the suppliers. As such, the trade payables fluctuation would depend on (i) the time at which the products are delivered to us; (ii) the credit period granted by our suppliers; (iii) the settlement date; and (iv) the amount of purchase. Our trade payables increased slightly from approximately HK\$0.8 million as at 31 March 2015 to approximately HK\$1.9 million as at 31 March 2016 which was primarily attributable to the increased purchases from our suppliers during March 2016 based on anticipated sales taking into account our sales levels during the year. The decrease in our trade payables of approximately HK\$0.9 million as at 31 March 2017 as compared to 31 March 2016 was primarily attributable to a lower level of product shipments to us by our suppliers near the year end date of 31 March 2017 as compared to that near the year end date of 31 March 2016 resulting in the timing difference of our payment obligations as at the respective dates. The increase in our trade payables of approximately HK\$0.3 million as at 30 September 2017 as compared to 31 March 2017 was primarily attributable to the increased purchase from suppliers, near the period end date of 30 September 2017, whose trade payables were not due until October 2017, as compared to that near the year end date of 31 March 2017.

FINANCIAL INFORMATION

As at the Latest Practicable Date, approximately 99.8% of our trade payables outstanding as at 30 September 2017 were settled.

The following table sets forth our trade payables turnover days for the years and period indicated:

	For the six months ended			
	For the year ended 31 March			30 September
	2015	2016	2017	2017
Trade payables turnover days	10.9	15.4	13.3	9.5

Note: Trade payables turnover days for the year or period is derived by dividing the average of the opening and closing balances of trade payables for the relevant year or period by cost of inventories sold and multiplying the resulting value by 365 days for the three years ended 31 March 2017 and 183 days for the six months ended 30 September 2017, respectively.

Our trade payables turnover days increased from approximately 10.9 days for the year ended 31 March 2015 to approximately 15.4 days for the year ended 31 March 2016 primarily due to certain suppliers granting longer credit period to us during the year ended 31 March 2016. The trade payable turnover days decreased from approximately 15.4 days for the year ended 31 March 2016 to approximately 13.3 days for the year ended 31 March 2017 primarily due to decrease in our trade payables as mentioned above and the increase in our cost of inventories sold by approximately 24.1% for the year ended 31 March 2017 as compared to that of previous year along with the growth in our revenue during the year. The trade payable turnover days decreased from approximately 13.3 days for the year ended 31 March 2017 to approximately 9.5 days for the six months ended 30 September 2017 primarily due to a lower average trade payables for the six months ended 30 September 2017 compared to the average for the year ended 31 March 2017 as a result of the higher ending balance of trade payables of approximately HK\$1.9 million as at 31 March 2016, due to the reasons mentioned above, and our cost of inventories sold during the six months ended 30 September 2017, if annualized, would have increased by approximately 9.7% over that for the year ended 31 March 2017.

Accrued expenses and other payables

The following table sets forth a breakdown of our accrued expenses and other payables as of the dates indicated:

	As at 31 March			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
Accrued expenses	1,736	1,514	2,647	2,371
Other payables	247	557	520	492
Receipt in advance	134	218	68	55
Deferred income	113	124	127	202
	<u>2,230</u>	<u>2,413</u>	<u>3,362</u>	<u>3,120</u>

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Accrued expenses mainly comprised accrued audit fee, accrued rental in respect of certain of our Retail Stores based on their respective sales achieved, accrued staff cost and accrued marketing expenses. The decrease in accrued expenses of approximately HK\$0.2 million from approximately HK\$1.7 million as at 31 March 2015 to approximately HK\$1.5 million as at 31 March 2016 was primarily attributable to the decrease in the accrued rental of approximately HK\$0.5 million which was partially offset by an increase in accrued staff cost of approximately HK\$0.3 million during the year ended 31 March 2016. The increase in accrued expenses from approximately HK\$1.5 million as at 31 March 2016 to approximately HK\$2.6 million as at 31 March 2017 was primarily due to (i) the increase in accrued staff cost of approximately HK\$0.5 million resulting from increase in number of employees from 55 as at 31 March 2016 to 75 as at 31 March 2017; and (ii) the increase in accrued marketing expenses of approximately HK\$0.3 million. The decrease in accrued expenses from approximately HK\$2.6 million as at 31 March 2017 to approximately HK\$2.4 million as at 30 September 2017 was primarily due to the settlement of accrued marketing expenses of approximately HK\$0.3 million during the six months ended 30 September 2017.

Other payables mainly consisted of our operating expense payables. Other payables increased slightly from approximately HK\$0.2 million as at 31 March 2015 to approximately HK\$0.6 million as at 31 March 2016 primarily attributable to the outstanding amount of renovation expenses in respect of our Tsuen Wan Retail Store opened in April 2016. Other payables remained relatively stable at approximately HK\$0.6 million as at 31 March 2016 and approximately HK\$0.5 million as at 31 March 2017 and 30 September 2017, respectively.

Receipt in advance primarily represented the prepayments received from our customers for pre-order of our products sold through our Retail Stores and Online Shop, and amounted to approximately HK\$134,000, HK\$218,000, HK\$68,000 and HK\$55,000 as at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017, respectively, depending the levels of product pre-orders from our customers.

Deferred income represents our unrecognised income in relation to our customer membership programme, whereby our members may gain stamps based on the amount spent at our Retail Stores and Online Shop. When a certain number of stamps have been collected, the members may then apply the stamps for a specified amount for payment of a purchase. The stamps are normally valid for six months from the issue date and the issue of stamps will be recognised as deferred income. For further details, please refer to the paragraph headed “Business – Customers – Customer membership programme” in this prospectus. Our deferred income remained stable at approximately HK\$0.1 million as at 31 March 2015, 31 March 2016 and 31 March 2017, and increased slightly to approximately HK\$0.2 million as at 30 September 2017 primarily due to (i) the slightly increased number of stamps issued during the six months ended 30 September 2017 compared to that for the six months ended 31 March 2017 mainly due to the increase in the sales of our products; and (ii) less stamps being redeemed during the six months ended 30 September 2017 as compared to that for the six months ended 31 March 2017.

Amount due to a director

The amount due to a director mainly represented the amount due to Ms. Erica Yuen which was unsecured, non-interest bearing and repayable on demand. The amount due to a director decreased from approximately HK\$0.9 million as at 31 March 2015 to approximately HK\$0.5 million as at 31 March 2016 and had been fully settled during the year ended 31 March 2017.

Amount due to a related company

Amount due to a related company as at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017 amounted to approximately HK\$69,000, HK\$7,000, nil and nil, respectively, and represented the amount due to Just Perfect Company Limited (“**Just Perfect**”), a company in which Ms. Mimi Yuen, our executive Director, had joint control. The amount was unsecured, non-interest bearing and repayable according to the credit term of 15 days.

As at the Latest Practicable Date, Ms. Mimi Yuen has disposed of all her interest in Just Perfect.

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Tax payable

Tax payables as at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017 mainly comprised tax payable charged or estimated to be charged on the taxable income of Inwell derived in Hong Kong at a Hong Kong profits tax rate of 16.5%.

The tax payables amounted to approximately HK\$0.2 million, HK\$2.2 million, HK\$1.3 million and HK\$2.2 million as at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017, respectively.

The increase in tax payable from approximately HK\$0.2 million as at 31 March 2015 to approximately HK\$2.2 million as at 31 March 2016 was mainly due to the significant increase in the assessable taxable profit for the year ended 31 March 2016. The decrease in tax payable from approximately HK\$2.2 million as at 31 March 2016 to approximately HK\$1.3 million as at 31 March 2017 was mainly due to the net effect of the increase in the assessable taxable profit for the year ended 31 March 2017 and payment of Hong Kong profits tax made during the year ended 31 March 2017. The increase in tax payable from approximately HK\$1.3 million as at 31 March 2017 to approximately HK\$2.2 million as at 30 September 2017 was mainly due to the provision of current Hong Kong profits tax of approximately HK\$1.7 million for the six months ended 30 September 2017 which was offset by the payment of Hong Kong profits tax made amounting to approximately HK\$0.8 million during the six months ended 30 September 2017.

KEY FINANCIAL RATIOS

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

	As at 31 March/ For the year ended 31 March			As at 30 September/ For the six months ended 30 September
	2015	2016	2017	2017
Current ratio (times) <i>(Note 1)</i>	2.7	2.7	2.9	3.0
Quick ratio (times) <i>(Note 2)</i>	1.8	1.8	2.1	2.3
Return on equity <i>(Note 3)</i>	79.5%	103.8%	36.2%	17.4% <i>(Note 9)</i>
Return on total assets <i>(Note 4)</i>	54.5%	73.2%	25.9%	12.5% <i>(Note 9)</i>
Debt to equity ratio <i>(Note 5)</i>	0.0%	0.0%	0.0%	0.0%
Net profit margin <i>(Note 6)</i>	15.0%	21.4%	9.3%	10.1%
Gross profit margin <i>(Note 7)</i>	55.0%	60.5%	61.1%	60.5%
Gross profit margin after excluding consignment commission <i>(Note 8)</i>	54.1%	59.6%	60.2%	60.2%

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Notes:

1. Current ratio is calculated by dividing current assets by current liabilities as at the end of respective years and period.
2. Quick ratio is calculated by dividing (current assets minus inventories) by current liabilities as at the end of respective years and period.
3. Return on equity is calculated by dividing profit for the year/period by total equity at the end of the respective years and period.
4. Return on total assets is calculated by dividing profit for the year/period by total assets at the end of the respective years and period.
5. Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank borrowings and bank overdrafts net of pledged bank deposit and bank balances and cash, by total equity at the end of respective years and period.
6. Net profit margin is calculated by the net profit for the year/period divided by the revenue for the respective years and period and multiplied by 100%.
7. Gross profit margin is calculated by the gross profit for the year/period divided by the revenue for the respective years and period and multiplied by 100%.
8. Gross profit margin after excluding consignment commission is calculated by the gross profit from the sale of our products for the year/period divided by the revenue generated from the sale of our products for the respective years and period multiplied by 100%.
9. Return on equity and return on total assets for the six months ended 30 September 2017 are not comparable to the respective ratios for each of the three years ended 31 March 2017, respectively.

For further details, please refer to the paragraphs headed “Year ended 31 March 2016 compared with year ended 31 March 2015”, “Year ended 31 March 2017 compared with year ended 31 March 2016” and “Six months ended 30 September 2017 compared with six months ended 30 September 2016” in this section for a discussion on factors affecting our net profit margin and gross profit margin during the Track Record Period.

Current ratio

Our current ratios remained stable at approximately 2.7 times as at 31 March 2015 and 31 March 2016 and improved to approximately 2.9 times as at 31 March 2017. The improvement was mainly due to (i) the increase in our inventories of approximately HK\$1.5 million to cater for the new product launch and promotions scheduled for April and May 2017; higher expected sales in the following two months taking into account the increased sales during the year ended 31 March 2017 as compared to the previous years and opening of our new Retail Store in Quarry Bay in June 2017; (ii) an increase in deferred listing costs of approximately HK\$2.6 million and rental and utility deposits of approximately HK\$1.2 million in relation to our Retail Stores and office; and (iii) an increase in pledged bank deposit and bank balances and cash, net of bank borrowings, of approximately HK\$1.3 million. Our current ratio remained stable at approximately 3.0 times as at 30 September 2017.

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Quick ratio

Our quick ratio remained stable at approximately 1.8 times as at 31 March 2015 and 31 March 2016 and increased slightly to approximately 2.1 times as at 31 March 2017. Such increase in quick ratio was mainly due to (i) an increase in deferred listing cost and rental and utility deposits as mentioned above; and (ii) an increase in pledged bank deposit and bank balances and cash, net of bank borrowings of approximately HK\$1.3 million. Our quick ratio increased slightly to approximately 2.3 times as at 30 September 2017 mainly due to an increase in bank balances and cash as mentioned above in the paragraph headed “Net current assets” in this section.

Return on equity

Our return on equity increased from approximately 79.5% for the year ended 31 March 2015 to approximately 103.8% for the year ended 31 March 2016 mainly due to a significant increase in net profit for the year ended 31 March 2016 of approximately HK\$10.3 million as compared to the previous year while the equity base increased by approximately HK\$7.8 million including the profit for the year of approximately HK\$17.6 million net of a dividend payment of HK\$9.8 million. Our return on equity decreased from approximately 103.8% for the year ended 31 March 2016 to approximately 36.2% for the year ended 31 March 2017 mainly due to a decrease in net profit for the year ended 31 March 2017 of approximately HK\$8.0 million as compared to the previous year primarily due to the incurrence of listing expenses of approximately HK\$8.7 million while the equity base increased by approximately HK\$9.6 million representing the profit for the year ended 31 March 2017. Return on equity for the six months ended 30 September 2017 is not comparable to that for each of the three years ended 31 March 2017 as it is not calculated based on a full year’s net profit.

Return on total assets

Our return on total assets increased from approximately 54.5% for the year ended 31 March 2015 to approximately 73.2% for the year ended 31 March 2016 primarily due to the extent of the increase in net profit for the year ended 31 March 2016 of approximately 141.5%, being higher than the increase in total assets of approximately 79.9% for the year. Our return on total assets decreased from approximately 73.2% for the year ended 31 March 2016 to approximately 25.9% for the year ended 31 March 2017 primarily due to (i) the decrease in net profit for the year ended 31 March 2017 of approximately 45.4%; and (ii) the increase in total assets of approximately 54.3% for the year. Return on total assets for the six months ended 30 September 2017 is not comparable to that for each of the three years ended 31 March 2017 as it is not calculated based on a full year’s net profit.

Debt to equity ratio

As at 31 March 2015 and 31 March 2016, our Group did not have any bank borrowing or bank overdraft. As at 31 March 2017 and 30 September 2017, we did not have any net debt, which is defined to include bank borrowings and bank overdrafts net of pledged bank deposit and bank balances and cash.

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SENSITIVITY ANALYSIS

During the Track Record Period, our cost of sales mainly consisted of cost of inventories sold. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, our Group's cost of inventories sold amounted to approximately HK\$21.6 million, HK\$32.2 million, HK\$39.9 million and HK\$21.9 million, respectively, representing approximately 99.0%, 99.1%, 99.3% and 99.5% of our cost of sales, respectively.

The following sensitivity analysis illustrates the impact of hypothetical changes, based on historical fluctuations during the Track Record Period, in our cost of inventories sold for the years and period indicated.

% change in cost of inventories sold	For the year ended 31 March				For the six months ended 30 September 2017			
	2015		2016		2017		2017	
	Corresponding increase (decrease) in	% change in	Corresponding increase (decrease) in	% change in	Corresponding increase (decrease) in	% change in	Corresponding increase (decrease) in	% change in
	profit before taxation	profit before taxation	profit before taxation	profit before taxation	profit before taxation	profit before taxation	profit before taxation	profit before taxation
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
10%	(2,164)	(25.1%)	(3,218)	(15.3%)	(3,992)	(30.1%)	(2,189)	(30.9%)
5%	(1,082)	(12.6%)	(1,609)	(7.6%)	(1,996)	(15.1%)	(1,095)	(15.4%)
(5%)	1,082	12.6%	1,609	7.6%	1,996	15.1%	1,095	15.4%
(10%)	2,164	25.1%	3,218	15.3%	3,992	30.1%	2,189	30.9%

The sensitivity analysis above assumes that only one variable changes while other variables remain unchanged. This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact of changes in our cost of inventories sold and does not reflect changes in our turnover.

INDEBTEDNESS

The table below sets forth our outstanding bank borrowings as of the dates indicated:

	As at 31 March			As at	As at
	2015	2016	2017	30 September	30 November
	HK\$'000	HK\$'000	HK\$'000	2017 HK\$'000	2017 HK\$'000
Secured and guaranteed bank borrowings – Variable rate	–	–	4,839	6,023	5,462

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Our bank borrowings represent import loans for trade finance purposes, and are denominated in HKD. A licensed bank in Hong Kong has provided banking facilities of HK\$10 million to our Group secured by (i) personal guarantees given by both Ms. Erica Yuen and Ms. Mimi Yuen; and (ii) restricted deposit given by our Group. As at the Latest Practicable Date, the bank has agreed to release the personal guarantees given by Ms. Erica Yuen and Ms. Mimi Yuen and replace such personal guarantees by a corporate guarantee given by our Company upon Listing.

The following table sets out the effective interest rates per annum of our variable rate bank borrowings as at the dates indicated:

As at	
31 March 2017	3.75%
30 September 2017	3.75%
30 November 2017	3.75%

The following table sets out the maturity profiles of our bank borrowings as at the dates indicated:

	As at			As at
	2015	As at 31 March 2016	30 September 2017	30 November 2017
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current				
Within one year	–	–	4,839	6,023
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

As at 30 November 2017, being the Latest Practicable Date for the indebtedness statement, we had outstanding indebtedness of approximately HK\$5.5 million comprising import loans for trade finance purposes; and unutilised banking facilities of approximately HK\$4.5 million.

Save as disclosed above, as at 30 November 2017, we did not have any other banking facilities, borrowings, mortgages, charges, debentures, or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptance, acceptance credits, hire purchase commitments, contingent liabilities or guarantees.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions. Our Directors have confirmed that all related party transactions during the Track Record Period were conducted on an arm's length basis and did not distort our results of operations for the Track Record Period.

For more information on our related parties transactions, see notes 17, 22 and 26 to our combined financial statements included in the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus.

LIQUIDITY AND FINANCIAL RESOURCES

During the Track Record Period, we have generally financed our operations through cash generated from our operations and banking facilities.

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Cash flows

The table below sets out a summary of our cash flows during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating cash flows before movements in working capital	9,721	21,725	15,307	8,618
Net cash from operating activities	9,920	17,888	3,649	6,388
Net cash used in investing activities	(1,234)	(2,921)	(5,103)	(1,591)
Net cash (used in) from financing activities	(8,278)	(10,206)	4,346	1,115
Net increase in cash and cash equivalents	408	4,761	2,892	5,912
Cash and cash equivalents at beginning of the year/period	5,559	5,967	10,728	13,620
Cash and cash equivalents at end of the year/period	<u>5,967</u>	<u>10,728</u>	<u>13,620</u>	<u>19,532</u>

Net cash generated from operating activities

Our operating cash flows before movements in working capital primarily reflect our profit before taxation, adjusted for the cash flow effects of certain statement of profit or loss items, including depreciation of property, plant and equipment, and gain or loss on disposal of property, plant and equipment.

Our net cash generated from operating activities for the six months ended 30 September 2017 was approximately HK\$6.4 million while our operating cash flows before movements in working capital was approximately HK\$8.6 million. The difference of approximately HK\$2.2 million was primarily attributable to (i) an increase in inventories of approximately HK\$1.1 million, which was mainly due to the increase in our purchase of inventories in preparation for (a) new product launch and promotions scheduled for October and November 2017; (b) higher anticipated sales in the following two months taking into account the increased sales during the six months ended 30 September 2017; and (c) the increased number of Retail Stores as at 30 September 2017 as compared to that as at 31 March 2017; and (ii) payment of Hong Kong profits tax made amounting to approximately HK\$0.8 million.

Our net cash generated from operating activities for the year ended 31 March 2017 was approximately HK\$3.6 million while our operating cash flows before movements in working capital was approximately HK\$15.3 million. The difference of approximately HK\$11.7 million was primarily attributable to (i) an increase in deferred listing costs of approximately HK\$2.6 million; (ii) an increase in rental deposits of approximately HK\$2.5 million for our new office, our new Retail Stores in Mongkok

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and Tuen Mun, and for the relocation of our Retail Store in Shatin, and additional rental deposits in connection with releasing personal guarantees previously provided by our Directors for certain existing Retail Stores; (iii) an increase in inventories of approximately HK\$1.5 million mainly due to the increase in our purchase of inventories in preparation for new product launch and promotions scheduled for April and May 2017, higher anticipated sales in the following two months taking into account the increased sales during the year ended 31 March 2017 as compared to the previous year, and opening of our new Retail Store in Quarry Bay in June 2017; and (iv) payment of income tax of approximately HK\$4.7 million.

Our net cash generated from operating activities for the year ended 31 March 2016 was approximately HK\$17.9 million while our operating cash flows before movements in working capital was approximately HK\$21.7 million. The difference of approximately HK\$3.8 million was primarily attributable to (i) an increase in rental deposits of approximately HK\$1.5 million for our new office and our Retail Stores in Causeway Bay and Tsim Sha Tsui upon their relocation during the year and the new Tsuen Wan store opened in April 2016; (ii) an increase in inventories of approximately HK\$2.2 million as our Group's policy to maintain two months' inventory based on anticipated sales taking into account the increase in our sales during the year ended 31 March 2016; (iii) an increase in trade payables of approximately HK\$1.1 million mainly resulting from the increase in purchases from our suppliers during March 2016 based on anticipated sales taking into account our sales levels during the year; and (iv) payment of income tax of approximately HK\$1.3 million.

Our net cash from operating activities for the year ended 31 March 2015 was approximately HK\$9.9 million while our operating cash flows before movements in working capital was approximately HK\$9.7 million. The difference of approximately HK\$0.2 million was mainly due to (i) the increase in accrued expenses and other payables of approximately HK\$1.5 million primarily due to increase in accrued staff cost and rental expenses; and (ii) payment of income tax of approximately HK\$1.3 million.

Net cash used in investing activities

Our net cash used in investing activities for the six months ended 30 September 2017 was approximately HK\$1.6 million, which was primarily attributable to an increase in leasehold improvements of approximately HK\$1.3 million mainly in relation to the opening of our new Retail Stores in Quarry Bay, Tuen Mun and Tseung Kwan O opened in June, July and September 2017, respectively.

Our net cash used in investing activities for the year ended 31 March 2017 was approximately HK\$5.1 million, which was primarily attributable to (i) an increase in leasehold improvements mainly in respect of our new Retail Store in Mongkok opened in October 2016 and relocation of our Retail Store in Shatin in February 2017, our new office in December 2016 and the relocation of our warehouse in June 2016 and purchase of computer and office equipment, of approximately HK\$2.3 million; and (ii) placement of a pledged bank deposit of approximately HK\$3.2 million.

Our net cash used in investing activities for the year ended 31 March 2016 was approximately HK\$2.9 million, which was primarily attributable to (i) the purchase of a motor vehicle and leasehold improvements in respect of our Retail Stores in Causeway Bay, Tsim Sha Tsui and Tsuen Wan of approximately HK\$3.7 million which was offset by the proceeds from disposal of a motor vehicle of approximately HK\$0.8 million.

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Our net cash used in investing activities for the year ended 31 March 2015 was approximately HK\$1.2 million, which was primarily attributable to (i) additions of property, plant and equipment of approximately HK\$0.9 million mainly related to leasehold improvements in respect of our Retail Store in Central and purchase of office equipment; and (ii) advances to Ms. Mimi Yuen, our executive Director, of approximately HK\$0.4 million.

Net cash (used in) from financing activities

Our net cash from financing activities for the six months ended 30 September 2017 was approximately HK\$1.1 million, which was primarily attributable to net bank borrowings raised in the amount of approximately HK\$1.2 million.

Our net cash from financing activities for the year ended 31 March 2017 was approximately HK\$4.3 million, which was primarily attributable to (i) bank borrowing raised in the amount of approximately HK\$4.8 million; and (ii) repayment to a Director of approximately HK\$0.5 million.

Our net cash used in financing activities for the year ended 31 March 2016 was approximately HK\$10.2 million, which was primarily attributable to repayment to Ms. Erica Yuen, an executive Director, and dividends paid by Inwell of HK\$11.3 million; and net of advances from Ms. Erica Yuen, an executive Director, of approximately HK\$1.1 million.

Our net cash used in financing activities for the year ended 31 March 2015 was approximately HK\$8.3 million, which was primarily attributable to repayment to Ms. Erica Yuen, an executive Director, and dividends paid by Inwell of HK\$10.2 million; and net of advances from Ms. Erica Yuen, an executive Director, of approximately HK\$1.9 million.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we did not have any contingent liabilities that would have a material adverse impact on our financial position, liquidity or result of operation.

COMMITMENTS

Capital commitment

As at 31 March 2015, 2016 and 2017, 30 September 2017 and 30 November 2017, we had no capital commitment.

Operating lease commitment

Our Group as lessee

Operating lease payments represent rentals payable by our Group for its office premises, warehouses and retail stores. Leases are negotiated for a term which ranges from one to three years. Certain lease contracts are with contingent rental arrangements dependent upon the level of sales achieved by particular stores.

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During the Track Record Period, we made rental payments for rented premises under operating leases as follows:

	For the year ended 31 March		For the six months ended 30 September	
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Minimum leases payments	3,769	6,623	9,257	5,997
Contingent rental payments	561	573	1,015	534
	<u>4,330</u>	<u>7,196</u>	<u>10,272</u>	<u>6,531</u>

At the dates indicated below, our Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 March		As at 30 September	As at 30 November
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)
Within one year	3,678	6,957	10,817	11,669
In the second to fifth year inclusive	1,850	6,086	5,586	2,593
	<u>5,528</u>	<u>13,043</u>	<u>16,403</u>	<u>14,262</u>

In addition to these commitments, our Group may pay additional rental expenses in respect of certain premises which are dependent upon the level of sales achieved by particular Retail Stores.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements.

LISTING EXPENSES

We commenced preparation work for the Listing in April 2016. The estimated listing expenses, which are non-recurring in nature, are approximately HK\$30.4 million of which approximately HK\$9.0 million for the issue of new Shares is expected to be accounted for as a deduction from equity and approximately HK\$21.4 million has been or will be charged to our profit and loss prior to or upon completion of the Listing. We have not incurred any listing expenses for the two years ended 31 March 2016. For the year ended 31 March 2017, we incurred listing expenses of approximately HK\$8.7 million. For the six months ended 30 September 2017, we incurred listing expenses of approximately HK\$1.2 million. For the remaining expenses, we expect to charge approximately HK\$11.5 million to our profit or loss for the year ending 31 March 2018. We also wish to emphasise that our current estimated expenses in relation to the Listing set forth above are for reference only and the final amount to be recognised as

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our profit or loss for the year ending 31 March 2018 may be different and our estimation is also subject to changes in variables and assumptions at the relevant time. Our Group's financial performance and results of operations for the year ending 31 March 2018 is expected to be affected by the estimated expenses in relation to the Listing.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Foreign currency risk

During the Track Record Period, most of the purchases made from our suppliers were denominated and settled in Australian dollar, Hong Kong dollar or US dollar. On the other hand, our customers settled the selling price of our products in Hong Kong dollar. For the three years ended 31 March 2017 and for the six months ended 30 September 2017, approximately 39.2%, 46.0%, 41.9% and 42.8% of our total purchases were settled in Australian dollar, respectively. The exchange rate of the Australian dollar against Hong Kong dollar depreciated from approximately 7.24 in August 2014 to approximately 5.90 in March 2015, and fluctuated thereafter between approximately 5.35 to 6.34 throughout the period up to and ending at approximately 6.10 as at 29 December 2017. During the Track Record Period, we had not maintained any hedging policy in respect of our exposure to fluctuation in Australian dollar. Our purchases made in Australian dollar are translated into Hong Kong dollar at prevailing rate relevant at the time of settlement of the transaction or settled with the Australian dollar maintained by us. Fluctuations in foreign exchange rates may materially and adversely affect the financial condition and results of operations of our Group which is a risk set out under the paragraph headed "Risk factors – Risks relating to our business – We are exposed to fluctuations in foreign currency exchange rates" in this prospectus. Our Directors consider that our policy to maintain sufficient Australian dollar for payment of purchases for about three months and keeping of about two months' inventory, with reference to our historical sales, will provide us with a sufficient buffer to minimise our exposure to the fluctuation in Australian dollar. If the exchange rate of Australian dollar against Hong Kong dollar continues to rise, we will consider (i) extending the period of maintenance of sufficient Australian dollar for payment of purchases to six months and keeping of inventory to three months; and (ii) raising our selling price of the products and pass on the additional cost to our customers. Our management team will continue to monitor our foreign currency exchange exposure and will take prudent measures to minimise our currency translation risk exposure.

Interest rate risk

During the Track Record Period, our Group's exposure to interest rates on financial liabilities are set out in the paragraph headed "Indebtedness" above in this section. Our Group's interest rate risk is mainly concentrated on the fluctuation of the prevailing market rates on bank borrowing. The impact of changes in the interest rate were not significant to our Group. We do not have any interest rate hedging policy currently and will consider hedging significant interest rate risk should the need arise.

Credit risk

As at 31 March 2015, 2016 and 2017 and 30 September 2017, our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

FINANCIAL INFORMATION

Our Group's credit risk is primarily attributable to our trade receivables and bank balances and cash. With exposure spread over a number of counterparties and customers and as our customers generally settle their bills by cash, credit card or electronic payment services, we do not expect any recoverable difficulties and significant concentration of credit risk. In addition, the credit risk on liquid funds is limited as the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Our management will continue to review the trade receivable aging and recoverable amount of each individual trade on a regular basis.

Liquidity risk

Our Group aims to maintain a sufficient level of bank balances and cash to meet our liquidity requirements for operation which are closely monitored by our management team. We are in a healthy liquidity position and our Group's financial liabilities are substantially repayable within 60 days.

DISTRIBUTABLE RESERVES

As at 30 September 2017, our Company had no distributable reserves available for distribution to our Shareholders.

WORKING CAPITAL

Our Directors are of the opinion that, after taking into account our Group's internal resources including cash to be generated from operations and cash and cash equivalents on hand, available banking facilities and the estimated net proceeds from the Share Offer, and in the absence of unforeseen circumstances, we have sufficient working capital for our present requirements for at least the next twelve months from the date of this prospectus.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

According to our unaudited combined financial information for the two months ended 30 November 2017, our revenue for the two months ended 30 November 2017 increased moderately as compared to that for the corresponding period in 2016, which was mainly due to the increase in the sales of our products. Our gross profit margin remained stable for the two months ended 30 November 2017 as compared to that for the corresponding period in the previous year.

Our Directors expect that our operating expenses will increase for the year ending 31 March 2018 mainly due to (i) increase in salaries and allowances for sales staff as a result of the employment of more sales staff; (ii) increase of rental expenses as a result of the opening of our new Retail Stores; (iii) increased staff costs relating to increased headcount in our marketing department, creative department, accounting and finance department, and warehouse and logistics department to support our business expansion. If our Group fails to control our operating expenses effectively, our profitability will be adversely affected.

FINANCIAL INFORMATION

Our Directors confirm that, save for the above and as disclosed in the paragraph headed “Listing expenses” above in this section, there has been no material adverse change in the market condition in the Hong Kong skincare and cosmetics market and health supplement market in which we operate or the financial or trading position or prospects of our Group since 30 September 2017, being the date to which the latest audited combined financial statements of our Group were made up, and up to the date of this prospectus.

DIVIDENDS

During the three years ended 31 March 2017 and for the six months ended 30 September 2017, Inwell declared dividends of HK\$8.0 million, HK\$9.8 million, nil and nil, respectively, to the registered individual shareholders, namely Ms. Erica Yuen and Ms. Mimi Yuen. As confirmed by Ms. Mimi Yuen in the Confirmatory Deed, she held 50.0% of the shareholding of Inwell on trust for and on behalf of Ms. Erica Yuen. For further details of the Confirmatory Deed, please refer to the paragraph headed “History, reorganisation and corporate structure – Corporate development – Inwell” in this prospectus. The dividends declared by Inwell as mentioned above were settled through amount due to a director, namely Ms. Erica Yuen.

Save for the above, no dividends have been declared and paid by the companies now comprising our Group to their then respective shareholders during the Track Record Period and up to the Latest Practicable Date.

After completion of the Share Offer, our Shareholders will only be entitled to receive dividends declared by our Company. Any amount of dividends to be declared and paid by our Company will be at the discretion of our Directors taking into consideration our future operations and earnings, capital requirements and surplus, general financial condition and such other factors that our Directors consider appropriate. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and the Companies Law, including (where required) the approval of shareholders. Therefore, there is no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNER OF THE COMPANY

For further details, please see the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

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

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Our business objectives are to consolidate our leading position in the small and medium segment of the skincare and cosmetics multi-brand specialty retailers market in Hong Kong and expand our product portfolio to enhance our competitiveness. We believe our expansion plan also enables us to capture the corresponding future growth in both skincare and cosmetics industry and the health supplement industry in Hong Kong and enhance our overall competitiveness.

To achieve the above objectives, we plan to adopt the following business strategies:

- (i) Continue to expand our retail network by opening more Retail Stores and refurbishing our existing Retail Stores to achieve a unique image;
- (ii) Acquire a warehouse to align with our business expansion;
- (iii) Expand our product portfolio and explore new suppliers;
- (iv) Enhance our marketing strategies by deploying more mainstream advertising, expanding and exploring more effective online marketing strategies, revamping our Online Shop and transforming our website as a new lifestyle information portal; and
- (v) Conduct system improvement and integration to develop a centralised information technology infrastructure, connecting our Online Shop, Retail Stores and headquarters in various aspects of our operation.

For further details, please refer to the paragraph headed “Business – Business strategies” in this prospectus for details of our future plans and business strategies.

IMPLEMENTATION PLAN

Our Group’s implementation plans are set forth below for the period from the Listing Date to 31 March 2018 and for each of the six-month periods until 31 March 2020. It should be noted that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Implementations Plan – Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular, the risk factors set out in the section headed “Risk factors” in this prospectus. Our Group’s actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all.

The net proceeds from the Share Offer (after deduction of underwriting fees and estimated expenses payable by us in relation to the Share Offer) are estimated to be approximately HK\$38.2 million. It is estimated that the total Listing expenses of approximately HK\$30.4 million will be incurred. Our Directors presently intend to apply such net proceeds as follows:

FUTURE PLANS AND USE OF PROCEEDS

(a) From the Listing Date to 31 March 2018

Business strategies	Implementation activities	Proceeds HK\$'000
Expand our retail network by opening more Retail Stores and refurbishing our existing Retail Stores	Opening Retail Stores	
	(i) Open one Retail Store in Kowloon Bay	
	– Payment of rental deposit	300
	– Renovation Cost	548
	(ii) Recruitment of 5 new staff members as follows: 1 shop manager 1 senior sales person 2 sales persons 1 part-time sales person	155
	(iii) Recruitment of a shop expansion manager and payment of salaries	78
	Refurbishing two existing Retail Stores	365
Acquire a warehouse	Partial payment	11,000
Expand our product portfolio and explore new suppliers	Recruitment of product expansion manager and payment of salaries	75
	Attending trade fairs, exhibitions and conducting feasibility studies and research on new products and markets	40
Enhance our marketing strategies by expanding and exploring more effective online marketing strategies, transforming our website as a lifestyle information portal, revamping our Online Shop and deploying more mainstream media	Deploying mainstream advertising through traditional media such as television, outdoor advertising, newspapers, magazines, advertising in mass transit railway stations and mobile phone applications	600
	Hiring third parties to transform our website into an information portal and revamping our Online Shop	200
Conduct system improvement and integration	(i) Purchase of new integrated system	856
	(ii) Maintenance and POS hosting	16
		14,233

FUTURE PLANS AND USE OF PROCEEDS

(b) From 1 April 2018 to 30 September 2018

Business strategies	Implementation activities	Proceeds HK\$'000
Expand our retail network by opening more Retail Stores and refurbishing our existing Retail Stores	Opening Retail Stores	
	(i) Open two Retail Stores, one in Mongkok and one in Tai Po	
	– Payment of rental deposit	600
	– Renovation cost	1,388
	(ii) Recruitment of 10 new staff members as follows: 2 shop managers 2 senior sales persons 4 sales persons 2 Part-time sales persons and continue to pay salaries to the staff of the newly opened Retail Stores	756
	(iii) Payment of salaries to the shop expansion manager	177
	Refurbishing one existing Retail Store	278
Expand our product portfolio and explore new suppliers	Payment of salaries to the product expansion manager	170
	Attending trade fairs, exhibitions and conducting feasibility studies and research on new products and markets	120
Enhance our marketing strategies by expanding and exploring more effective online marketing strategies, transforming our website as a lifestyle information portal, revamping our Online Shop and deploying more mainstream media	Deploying mainstream advertising through traditional media such as television, outdoor advertising, newspapers, magazines, advertising in mass transit railway stations and mobile phone applications	1,860
Conduct system improvement and integration	Maintenance and POS hosting	48
		5,397

FUTURE PLANS AND USE OF PROCEEDS

(c) From 1 October 2018 to 31 March 2019

Business strategies	Implementation activities	Proceeds HK\$'000
Expand our retail network by opening more Retail Stores and refurbishing our existing Retail Stores	Opening Retail Stores	
	(i) Open one Retail Store in Causeway Bay	
	– Payment of rental deposit	300
	– Renovation cost	833
	(ii) Recruitment of 5 new staff members: 1 shop managers 1 senior sales persons 2 sales persons 1 part-time sales persons and continue to pay salaries to the staff of the newly opened Retail Stores	1,441
	(iii) Payment of salaries to the shop expansion manager	197
	Refurbishing one existing Retail Store	278
Expand our product portfolio and explore new suppliers	Payment of salaries to the product expansion manager	189
	Attending trade fairs, exhibitions and conducting feasibility studies and research on new products and markets	120
Enhance our marketing strategies by expanding and exploring more effective online marketing strategies, transforming our website as a lifestyle information portal, revamping our Online Shop and deploying more mainstream media	Deploying mainstream advertising through traditional media such as television, outdoor advertising, newspapers, magazines, advertising in mass transit railway stations and mobile phone applications	1,860
Conduct system improvement and integration	Maintenance and POS hosting	154
		5,372

FUTURE PLANS AND USE OF PROCEEDS

(d) From 1 April 2019 to 30 September 2019

Business strategies	Implementation activities	Proceeds HK\$'000
Expand our retail network by opening more Retail Stores and refurbishing our existing Retail Stores	Opening Retail Stores	
	(i) Open one Retail Store in Kwun Tong	
	– Payment of rental deposit	300
	– Renovation cost	563
	(ii) Recruitment of 5 new staff members: 1 shop manager 1 senior sales person 2 sales persons 1 part-time sales person and continue to pay salaries to the staff of the newly opened Retail Stores	1,591
	(iii) Payment of salaries to the shop expansion manager	180
	Refurbishing four existing Retail Store	751
Expand our product portfolio and explore new suppliers	Payment of salaries to the product expansion manager	173
	Attending trade fairs, exhibitions and conducting feasibility studies and research on new products and markets	120
Enhance our marketing strategies by expanding and exploring more effective online marketing strategies, transforming our website as a lifestyle information portal, revamping our Online Shop and deploying more mainstream media	Deploying mainstream advertising through traditional media such as television, outdoor advertising, newspapers, magazines, advertising in mass transit railway stations and mobile phone applications	2,160
Conduct system improvement and integration	Maintenance and POS hosting	49
		5,887

FUTURE PLANS AND USE OF PROCEEDS

(e) From 1 October 2019 to 31 March 2020

Business strategies	Implementation activities	Proceeds <i>HK\$'000</i>
Expand our retail network by opening more Retail Stores and refurbishing our Retail Stores	Continue to pay salaries to the staff of the newly opened Retail Stores	1,974
	Refurbish one existing Retail Store	281
	Payment of salaries to the shop expansion manager	200
Expand our product portfolio and explore new suppliers	Payment of salaries to the product expansion manager	192
	Attending trade fairs, exhibitions and conducting feasibility studies and research on new products and markets	120
Enhance our marketing strategies by expanding and exploring more effective online marketing strategies, transforming our website as a lifestyle information portal, revamping our Online Shop and deploying more mainstream media	Deploying mainstream advertising through traditional media such as television, outdoor advertising, newspapers, magazines, advertising in mass transit railway stations and mobile phone applications	2,160
Conduct system improvement and integration	Maintenance and POS hosting	155
		5,082

FUTURE PLANS AND USE OF PROCEEDS

Bases and assumptions

Potential investors should note that the attainability of our business objectives depend on a number of assumptions, in particular:

- our planned budget for opening a new Retail Store will not materially differ from the actual cost;
- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong, Taiwan, Macau, the PRC or in any other places in which any member of our Group carries on its business or will carry on its business;
- we will have sufficient financial resources to meet the planned capital expenditure (if any) and business development requirements during the period to which the business objective relate;
- there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of our Group operates or will operate;
- there will be no material changes in legislation or regulations whether in Hong Kong or elsewhere materially affecting the business carried on by our Group;
- there will be no significant changes in our Group's business relationship with our major customers and suppliers;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined in the paragraph headed "Implementation plan" in this section;
- 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; and
- our Group will not be materially affected by the risk factors set out in the section headed "Risk factors" in this prospectus.

REASONS FOR LISTING

Our Directors believe that Listing represents an important step for us to implement our business strategies. Listing is strategically critical to the long-term growth of our business as it helps, among others, promote our brand awareness, enhance general consumers' confidence on our products and our brand, strengthen our competitiveness, capture more business opportunities, provide more avenues for us to raise capital in the long run and lay a solid foundation for our Group for our long-term development and growth.

FUTURE PLANS AND USE OF PROCEEDS

Expected growth in both the retail value of the skincare and cosmetics market and health supplement market in Hong Kong, which co-relates to the growth of our business

According to the F&S Report, after a drop in the retail value of the skincare and cosmetics market in Hong Kong in 2015 and 2016 due to, among others, the weak tourism industry, the retail value of the skincare and cosmetics market in Hong Kong is expected to recover gradually and is likely to increase from approximately HK\$33.1 billion in 2016 to approximately HK\$42.2 billion in 2021, with a CAGR of approximately 5.0% from 2016 to 2021 due to increasing purchase by local residents, and introduction of popular new products, and since the Hong Kong government has initiated a series of projects to attract visitors and enhancing the attractiveness of Hong Kong as a tourism destination. According to the F&S Report, the retail value of the skincare and cosmetics multi-brand specialty retailers market, being a sub-segment of the skincare and cosmetics market in Hong Kong, is forecast to grow from approximately HK\$11.7 billion in 2016 to approximately HK\$16.4 billion in 2021, with a CAGR of approximately 7.0% from 2016 to 2021. We expect that we can capture the business opportunities and growth drivers in the local skincare and cosmetics market if we have sufficient capital to implement our expansion plan.

The retail value of health supplements in Hong Kong, after the decline in 2015 and 2016 as reported in the F&S Report is likely to recover and increase from approximately HK\$5.8 billion in 2016 to approximately HK\$6.6 billion in 2021, with a CAGR of approximately 2.6% in the forecast period, due to, among others, purchasing habits of local consumers and the diversification of Hong Kong's health supplement products. In addition, the distribution channel expansion and improvement (especially in e-commerce channel) is likely to accelerate the recovery of Hong Kong's health supplement market.

In view of the above mentioned industry outlook, in order to capture the industry growth and to maintain our market position in the small and medium segment of the skincare and cosmetics multi-brand specialty retailers market despite the intensifying market competition, we intend to expand the geographical coverage of our Retail Stores in Hong Kong and revamp our Online Shop to incorporate an integrated online sales platform and new lifestyle information portal offering a wide range of products and promotional events. We will continue to improve the efficiency of our Online Shop to provide up-to-date information about our product mix and simplified purchase and payment gateway.

Necessity of implementing our business plans to capture more market share in the industry

Expand the geographical coverage of our retail network

According to the F&S Report, we ranked second among the small and medium segment of the skincare and cosmetics multi-brand specialty retailers market in Hong Kong in terms of revenue generated from the sale of skincare products and cosmetic products for the calendar year of 2016. As at the Latest Practicable Date, we operated nine Retail Stores in certain prime shopping areas including Causeway Bay, Tsim Sha Tsui and Mongkok or major local shopping areas including Shatin, Yuen Long, Tsuen Wan, Quarry Bay, Tuen Mun and Tseung Kwan O. To consolidate our position in the market, it is imperative for us to open more Retail Stores to capture more market share in our existing locations such as Causeway Bay and Mongkok and to cover other major or local shopping areas such as Tai Po, Kowloon Bay and Kwun Tong in order to expand our retail network, align with our business growth and capture the business opportunities mentioned above.

FUTURE PLANS AND USE OF PROCEEDS

Our Directors believe that the opening of more Retail Stores would also enable us to capture business opportunities in the skincare and cosmetics industry and health supplement industry in Hong Kong, and put us in an advantageous position to build up a close relationship with our customers in the local market.

Expansion of our product portfolio and explore new suppliers

Furthermore, aligning with the expansion of our retail network, we intend to expand our product offering and a pool of suppliers. We intend to recruit one product expansion manager with extensive experience in the skincare and cosmetics industry and health supplement industry; and to attend more trade fairs and exhibitions.

Additional capital required to implement our marketing strategies and to consolidate our brand

Our Directors recognise the need for further capital to enhance our brand recognition and maintain our leading position in the multi-brand retailers market, which is competitive and concentrated. Taking into account our success in using online media and social networking platforms to promote our brand and products, we will continue to focus our marketing efforts on digital marketing. Through promoting our brand and products on online media, our online presence and traffic will increase and lead to more online inquiries to our product offering. This digital marketing will allow us to deliver our advertisements and promotional materials directly to our target group of potential customers and effectively push new promotions. Our plan involves continuously tracking, implementing and reviewing performance. At the same time, we will deploy mainstream advertising through traditional media such as television, free-to-air television, outdoor advertising, newspapers, magazines, advertising in mass transit railway stations and mobile phone applications.

Our Directors consider that given our well-established brand, our Group is capable of capturing the continuous growth in the small and medium segment of the skincare and cosmetics multi-brand specialty retailers market in Hong Kong and will further increase our market share, which depends on (i) our then available operational resources including manpower resources, product mix, the retail network of our Retail Stores and other sales channel mix; and (ii) sufficient capital to support the future growth in business.

Acquisition of a warehouse in Hong Kong

Our Directors take the view that it would benefit our Group in the long run if we own a warehouse in Hong Kong, as the size of our existing warehouse may not be able to cope with the expected growth in our business expansion. Our existing warehouse is a leased property and is subject to the risks associated with the leased property, such as early termination or non-renewal of the tenancy agreement by the landlord and the possible increase in rental expenses, so the acquisition can eliminate the costs, time and efforts associated with the possible relocation of our warehouse in Hong Kong. Furthermore, having our own warehouse would significantly improve our operating cash flow in the long run by eliminating our rental for the leased warehouse. On the other hand, the warehouse acquired by us would remain our asset in our balance sheet.

FUTURE PLANS AND USE OF PROCEEDS

Commercial rationale for listing

Strengthening our Group's corporate profile, credibility and competitiveness

Our Directors believe that a listing status will enhance our credibility with suppliers and thus enhance our level of competitiveness. The increased level of information transparency after the Listing will also give our existing and prospective suppliers public access to our Group's corporate and financial information, which could generate further confidence in our Group and our products. The status of being a listed company on GEM will also raise our Group's reputation amongst our competitors, which will help implement our business strategies and expand our customer base and market share within the industry.

The listing status provides an equity fund-raising platform for our Group

Although our Group was able to successfully expand our business using internally generated funds during the Track Record Period, and obtained banking facilities of HK\$10 million from a licensed bank in Hong Kong in October 2016, our Group still plans to seek equity fund raising instead of continuing to use the historical capital structure to fund our future growth, as it will place undue financial burden on our Group in terms of cash flow if we are to apply all our internal capital resources for growth purpose. The Share Offer, which allows us to access the capital market for fund raising, will assist our future business development and strengthen our competitiveness.

Subsequent to the Listing, we will also have access to secondary market fund raising for our future expansion plans through the issuance of equity and/or debt securities. By strengthening our financial position through fund-raising, we will also have more bargaining power when negotiating terms with our suppliers for procuring beauty and health products, and with other business partners, if any.

Diversification of shareholder base and enhance liquidity in trading of Shares

Our Directors take the view that the Listing will enhance the liquidity of the Shares which will be freely traded in the Stock Exchange when compared to the limited liquidity of shares that are privately held before the Listing. Hence, our Directors consider that the Share Offer will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares.

Although the amount of expenses for the Listing represents a significant proportion of the gross proceeds from the Listing, such expenses are non-recurring by nature for which we would not have to pay following the completion of the Listing. For the reasons stated above, our Directors believe that the Share Offer is beneficial to us in the long run.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

Our Company intends to, through the Listing, enhance our Group's profile and market recognition and increase our visibility in the market so as to promote our Group and our products to potential customers and the public. The Listing will provide our Group with fund raising channels in the stock markets and enable our Group to obtain bank financings at more favourable terms to finance our future development. Besides, the net proceeds from the Share Offer will strengthen our Group's financial position and enable our Group to pursue the business plans as set out in this section.

For the period from the Listing Date to 31 March 2020, our net proceeds from the Share Offer will be used as follows:

	From the Listing Date to 31 March 2018 <i>HK\$'000</i>	From 1 April 2018 to 30 September 2018 <i>HK\$'000</i>	From 1 October 2018 to 31 March 2019 <i>HK\$'000</i>	From 1 April 2019 to 30 September 2019 <i>HK\$'000</i>	From 1 October 2019 to 31 March 2020 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Business strategies						
Expand our retail network by opening more Retail Stores and refurbishing our existing Retail Stores	1,446	3,199	3,049	3,385	2,455	13,534
Acquire a warehouse	11,000	–	–	–	–	11,000
Expand our product portfolio and explore new suppliers	115	290	309	293	312	1,319
Enhance our marketing strategies by expanding and exploring more effective online marketing strategies, transforming our website as a lifestyle information portal, revamping our Online Shop and deploying more mainstream media	800	1,860	1,860	2,160	2,160	8,840
Conduct system improvement and integration	872	48	154	49	155	1,278
General working capital	169	503	503	503	503	2,181
	<u>14,402</u>	<u>5,900</u>	<u>5,875</u>	<u>6,390</u>	<u>5,585</u>	<u>38,152</u>

FUTURE PLANS AND USE OF PROCEEDS

Based on the Offer Price of HK\$0.245 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.22 per Offer Share to HK\$0.27 per Offer Share, the net proceeds from the Share Offer are estimated to be approximately HK\$38.2 million, after deducting the underwriting commission and other estimated expenses payable by our Group in relation to the Listing. We intend to apply such net proceeds from the Share Offer as follows:

- (i) approximately HK\$13.5 million, representing approximately 35.5% of the net proceeds, will be used to expand our retail network in Hong Kong by opening more Retail Stores and refurbishing our existing Retail Stores;
- (ii) approximately HK\$11.0 million, representing approximately 28.8% of the net proceeds, will be used to make a partial payment for the purchase of a warehouse in Hong Kong;
- (iii) approximately HK\$1.4 million, representing approximately 3.4% of the net proceeds, will be used to expand our product portfolio and explore new suppliers;
- (iv) approximately HK\$8.8 million, representing approximately 23.2% of the net proceeds, will be used to enhance our marketing strategies by expanding and exploring more effective online marketing strategies, transforming our website as a lifestyle information portal, revamping our Online Shop and deploying more mainstream media;
- (v) approximately HK\$1.3 million, representing approximately 3.4% of the net proceeds, will be used to conduct system improvement and integration; and
- (vi) the remaining balance of approximately HK\$2.2 million, representing approximately 5.7% of the net proceeds, will be used for general working capital and other general corporate purposes.

In the event that any part of the future plans does not materialise or proceed as planned, we will carefully evaluate the situation and may reallocate the intended funding to other future plans and/or place the proceeds on short-term interest bearing deposit accounts with licensed banks and/or financial institutions in Hong Kong so long as we consider it to be in the best interest of our Company and our Shareholders taken as a whole. Should our Directors decide to allocate the net proceeds from the Share Offer to business plans and/or new projects of our Group other than those disclosed in this prospectus after the Listing, we will make an announcement to notify our Shareholders and investors of the changes in compliance with the GEM Listing Rules.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Kingston Securities Limited
Quasar Securities Co., Limited

PLACING UNDERWRITERS

Kingston Securities Limited
Quasar Securities Co., Limited
Freeman Securities Limited
Long Asia Securities Limited
Opus Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other matters, the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to the satisfaction of certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

Any of the Sole Sponsor or the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) shall have the sole and absolute discretion to terminate the arrangements set out in the Public Offer Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, if there shall develop, occur, exist or come into effect:

- (i) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction;

UNDERWRITING

- (ii) any adverse change (whether or not permanent) in local, national or international stock market conditions;
- (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise;
- (iv) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction;
- (v) any adverse change in the business or in the financial or trading position of our Group or otherwise;
- (vi) any change or development (whether or not permanent), or any event or series of events resulting in any change in the financial, legal, political, economic, military, industrial, fiscal, regulatory, market (including stock market) or currency matters or condition in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction;
- (vii) a general moratorium on commercial banking business activities in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction declared by the relevant authorities; or
- (viii) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, natural disaster or outbreak of infectious diseases,

which in the sole and absolute opinion of any of the Sole Sponsor and the Sole Bookrunner:

- (a) might be materially adverse to the business, financial condition or prospects of our Group taken as a whole; or
- (b) might have a material adverse effect on the success of the Share Offer or might have the effect of making any part of the Public Offer Underwriting Agreement incapable of implementation or performance in accordance with its terms; or
- (c) makes it inadvisable or inexpedient to proceed with the Share Offer.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of any of the Sole Sponsor and the Sole Bookrunner:

- (i) any matter or event showing any of the warranties to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been any breach of any of the warranties or any other provision of the Public Offer Underwriting Agreement which is considered, in the sole and absolute opinion of the Sole Sponsor and the Sole Bookrunner, to be material in the context of the Share Offer;

UNDERWRITING

- (ii) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the sole and absolute opinion of the Sole Sponsor and the Sole Bookrunner in the context of the Share Offer; or
- (iii) any statement contained in this prospectus and the Application Forms in their sole and absolute opinion considered to be material by the Sole Sponsor and the Sole Bookrunner which is discovered to be or becomes untrue, incorrect or misleading and in the sole and absolute opinion of the Sole Sponsor and the Sole Bookrunner to be material in the context of the Share Offer; or
- (iv) any event, act or omission which gives rise or is likely to give rise to any material liability of any of our Company, our executive Directors and our Controlling Shareholders pursuant to the indemnities contained in the Public Offer Underwriting Agreement,

any of the Sole Sponsor or the Sole Bookrunner shall be entitled (but not bound) by notice in writing to our Company (for itself and on behalf of the other parties to the Public Offer Underwriting Agreement (other than the Sole Sponsor and the Public Offer Underwriters)) on or prior to such time to terminate the Public Offer Underwriting Agreement.

A. Lock-up undertakings to the Sole Sponsor, the Sole Bookrunner and the Underwriters

1. Undertakings by our Company

Our Company has undertaken to and covenanted with each of the Sole Sponsor, the Sole Bookrunner and the Underwriters that it shall not (and shall procure each other member of our Group not to), and each of our executive Directors and our Controlling Shareholders has jointly and severally undertaken to and covenanted with the Sole Sponsor, the Sole Bookrunner and the Underwriters that she/it shall procure our Company and each other member of our Group not to, unless in compliance with the requirements of the GEM Listing Rules:

- (a) except for the issue of Shares under the Share Offer, the Capitalisation Issue, the grant of any option under the Share Option Scheme or the issue of Shares upon the exercise of any option that may be granted under the Share Option Scheme, at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), without the prior written consent of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Underwriters):
 - (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create any encumbrances over, either directly or indirectly, conditionally or unconditionally,

UNDERWRITING

any Shares or other securities of our Company or any securities of each other member of our Group, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any securities of each other member of our Group, or any interest therein, as applicable), or deposit any Shares or other securities of our Company or any securities of each other member of our Group, with a depositary in connection with the issue of depositary receipts; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any securities of each other member of our Group, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any securities of each other member of our Group, or any interest therein, as applicable); or
 - (iii) enter or agree to enter into, conditionally or unconditionally, any transactions with the same economic effect as any transactions specified in paragraph (i) or (ii) above; or
 - (iv) offer to or agree to or announce any intention to effect any transactions specified in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of any Shares or other securities of our Company or any securities of each other member of our Group, or in cash or otherwise (whether or not such transaction will be completed within the First Six-Month Period); and
- (b) in the event of our Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Shares or other securities of our Company or any securities of each other member of our Group, or any interest in any of the foregoing by virtue of the aforesaid exceptions or during the six month period commencing from the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), it will take all reasonable steps to ensure that such action will not create a disorderly or false market in the Shares or other securities of our Company.

Our Company has further undertaken to and covenanted with each of the Sole Sponsor, the Sole Bookrunner and the Underwriters that if at any time during the Second Six-Month Period, it enters into any transactions specified in paragraph (a)(i), (ii) or (iii) above or agrees or contracts to or publicly announces any intention to enter into any such transactions, it shall inform the Sole Sponsor immediately thereafter, disclosing the details of such transactions.

UNDERWRITING

2. *Undertakings by our Controlling Shareholders*

Each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with each of our Company, the Sole Sponsor, the Sole Bookrunner and the Underwriters that, unless in compliance with the GEM Listing Rules, she/it shall not, and shall procure that her/its associates or the relevant registered holder(s), nominee(s) or trustee(s) holding on trust for her/it or the companies controlled by her/it shall not:

- (a) at any time during the First Six-Month Period, without the prior written consent of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Underwriters),
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create any encumbrances over, or agree to transfer or dispose of or create any encumbrances over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company, or any interest therein, as applicable) in respect of which she/it is shown by this prospectus to be the beneficial owner (whether direct or indirect) (the “**Lock-Up Securities**”); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Lock-Up Securities or any interest therein; or
 - (iii) enter or agree to enter into, conditionally or unconditionally, any transactions with the same economic effect as any of the transactions specified in paragraph (i) or (ii) above; or
 - (iv) offer to or agree to or announce any intention to effect any transactions specified in paragraph (i), (ii) or (iii) above;

in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of any Shares or other securities of our Company, in cash or otherwise (whether or not such transaction will be completed within the First Six-Month Period); and

- (b) at any time during the Second Six-Month Period, enter into any of the transactions in paragraph (a)(i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, she/it, individually or together with each other Controlling Shareholder as a group, would cease to be a Controlling Shareholder.

UNDERWRITING

Each of our Controlling Shareholders has further undertaken to and covenanted with each of our Company, the Sole Sponsor, the Sole Bookrunner and the Underwriters that if at any time during the Second Six-Month Period, she/it enters into any transactions specified in paragraph (a)(i), (ii) or (iii) above or agrees or contracts to or publicly announces any intention to enter into any such transactions, she/it shall inform our Company and the Sole Sponsor immediately thereafter, disclosing the details of such transactions.

B. Lock-up undertakings to the Stock Exchange

1. Undertakings by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that, save as pursuant to the Share Offer or the Capitalisation Issue, the grant of any option under the Share Option Scheme or the issue of Shares upon the exercise of any option that may be granted under the Share Option Scheme, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement by our Company 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 permitted by Rule 17.29(1) to (5) of the GEM Listing Rules.

2. 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 for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rule, she/it shall not, and shall procure that the relevant registered holder(s) shall not:

- (a) in the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which she/it is shown by this prospectus to be the beneficial owner(s) (within the meaning of Rule 13.16A(2) of the GEM Listing Rules); and
- (b) in the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, she/it, individually or together with each other Controlling Shareholder as a group, would cease to be a Controlling Shareholder.

UNDERWRITING

Pursuant to Rule 13.19 of the GEM Listing Rules, our Controlling Shareholders have further undertaken to the Stock Exchange and our Company that:

- (a) in the event that she/it pledges or charges any direct or indirect interest in any Shares in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or approval granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the date by reference to which disclosure of her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, she/it shall inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in Shares under paragraph (a) above, she/it shall inform our Company immediately in the event that she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriter(s), on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriter(s) will severally agree to subscribe or procure professional, institutional and other investors to subscribe for the Placing Shares being offered pursuant to the Placing.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed “Underwriting arrangements and expenses – Public Offer Underwriting Agreement – A. Lock-up undertakings to the Sole Sponsor, the Sole Bookrunner and the Underwriters” in this section.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriter(s) not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by her/it in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph “Underwriting arrangements and expenses – Public Offer Underwriting Agreement – A. Lock-up undertakings to the Sole Sponsor, the Sole Bookrunner and the Underwriters” in this section.

Commission and expenses

Our Underwriters are expected to receive a commission of 5.0% of the aggregate Offer Price payable for the Offer Shares underwritten by them, out of which they will pay any sub-underwriting commissions. The amount of underwriting commission is estimated to be approximately HK\$3.43 million (based on an Offer Price of HK\$0.245 per Offer Share, being the mid-point of the indicative Offer Price range). The Sole Sponsor will receive a documentation and advisory fee. Furthermore, our Company agrees, at its discretion, to pay to the Sole Sponsor a discretionary incentive fee of HK\$500,000.

UNDERWRITING

The underwriting commission, documentation and advisory fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$30.4 million in total, and are paid or payable by our Company.

SOLE SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Sponsor will receive a documentation and advisory fee. The Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under "Commission and expenses" above in this section.

We have appointed Kingston Corporate Finance 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 our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date.

Save as disclosed 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 of member of our Group nor any interest in the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STRUCTURE OF THE SHARE OFFER

The Share Offer comprises:

- (i) the Public Offer of an aggregate of 28,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong; and
- (ii) the Placing of 252,000,000 Placing Shares (subject to reallocation as mentioned below).

Investors may apply for the Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for the Offer Shares under the Placing, but may not do both. The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be issued upon exercise of options which may be granted under the Share Option Scheme). The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as mentioned below.

CONDITIONS OF THE SHARE OFFER

The Share Offer is conditional upon, among other things:

- (i) the Listing Division of the Stock Exchange granting the approval of 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, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Bookrunner (for itself and on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with its terms,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates 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.mimingmart.com on the next business day following such lapse.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PUBLIC OFFER

Number of Shares offered

We are offering 28,000,000 Public Offer Shares at the Offer Price, representing 10% of the Shares available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares offered under the Public Offer will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, and without taking into account any Shares which may be issued upon exercise of options as may be granted under the Share Option Scheme. The Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" in this section.

Allocation

Allocation of the 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 the Public Offer Shares validly applied for by applicants. Allocation of the Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the 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 28,000,000 Public Offer Shares available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The final Offer Price, the level of indication of interest in the Placing, level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Friday, 9 February 2018 through a variety of channels as described in paragraph headed "How to apply for Public Offer Shares – 11. Publication of results".

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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. In the event of over-applications in the Public Offer, the Sole Bookrunner shall apply a clawback mechanism following the closing of the application lists on the following basis:

- if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares available for subscription under the Public Offer, then 56,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 84,000,000 Offer Shares, representing 30% of the Offer Shares available under the Share Offer;
- if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares available for subscription under the Public Offer, then 84,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 112,000,000 Offer Shares, representing 40% of the Offer Shares available under the Share Offer; and
- if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares available for subscription under the Public Offer, then 112,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 140,000,000 Offer Shares, representing 50% of the Offer Shares available under the Share Offer.

In each case, based on the additional Offer Shares reallocated to the Public Offer, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Sole Bookrunner deems appropriate. In addition, the Sole Bookrunner may in their sole and absolute discretion reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

If the Public Offer is not fully subscribed, the Sole Bookrunner will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares in such amount as the Sole Bookrunner deems appropriate. If the Placing is not fully subscribed, the Sole Bookrunner will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Placing Shares in such amount as the Sole Bookrunner deems appropriate.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PLACING

Number of the Offer Shares offered

Subject to the reallocation as described above, the number of Offer Shares to be offered under the Placing will be 252,000,000 Shares, representing 90% of the total number of the Offer Shares 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 offered under the Placing will represent approximately 22.5% of our Company's enlarged issue share capital immediately after the completion of the Share Offer and the Capitalisation Issue, but without taking into account any Shares which may be issued upon exercise of options as may be granted under the Share Option Scheme.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriters. The Placing Shares will be selectively placed to certain professional, institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Bookrunner may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Sole Bookrunner so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

OFFER PRICE

Determination of the Offer Price

The Offer Price will be fixed by the Price Determination Agreement on the Price Determination Date, which is expected to be on or around Friday, 2 February 2018. If the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Friday, 2 February 2018, the Share Offer will not become unconditional and will not proceed. The Sole Lead Manager (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range to below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.mimingmart.com an announcement of such

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

change on or before the Price Determination Date. 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 Offer Price range stated in this prospectus.

If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.mimingmart.com a notice of the change and if applicable the revised date.

Offer Price range

The Offer Price will not be more than HK\$0.27 per Offer Share and is expected to be not less than HK\$0.22 per Offer Share. The Offer Price will fall within the indicative Offer Price range as stated in this prospectus unless otherwise announced.

Price payable on application

The Offer Price will not be more than HK\$0.27 per Offer Share and is expected to be not less than HK\$0.22 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.27 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$2,727.21 per board lot of 10,000 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.27 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATION

Announcement of the final Offer Price, together with 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 is expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.mimingmart.com on 9 February 2018.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on the Stock Exchange are expected to commence on Monday, 12 February 2018. The Shares will be traded in board lots of 10,000 Shares each. The GEM stock code for our Shares is 8473.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Stock Exchange granting the listing of, and permission to deal in, our Shares on GEM and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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. You should seek advice from your stockbroker or other professional advisers for details of such settlement arrangements as such arrangements will affect your rights and interests.

We have made all necessary arrangements for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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 for the Offer Shares online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If an application is made by a person under a power of attorney, our Company and the Sole Bookrunner may accept it at their discretion and on any conditions they think 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 the **HK eIPO White Form** service for the 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 and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- 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, use a **WHITE** Application Form or apply only to the **HK eIPO White Form** Service Provider at www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

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 Tuesday, 30 January 2018 to 12:00 noon on Friday, 2 February 2018 from:

- (i) the following office of the Sole Bookrunner:

Kingston Securities Limited
Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) the following office of the Sole Sponsor:

Kingston Corporate Finance Limited
Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

- (iii) the following office of the Co-Lead Manager:

Quasar Securities Co., Limited
Unit A, 12/F
Harbour Commercial Building
122-124 Connaught Road
Central
Hong Kong

- (iv) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

	Branch	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Aberdeen Branch	Shop 4A, G/F and Shop 1, 1/F, Aberdeen Centre Site 5, No. 6-12 Nam Ning Street, Aberdeen
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay

HOW TO APPLY FOR PUBLIC OFFER SHARES

	Branch	Address
Kowloon	Kwun Tong Branch	G/F & 1/F One Pacific Centre, 414 Kwun Tong Road, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Lok Fu Shopping Centre Branch	Shop G201, G/F., Lok Fu Shopping Centre
	Mei Foo Stage I Branch	G/F, 1C Broadway, Mei Foo Sun Chuen Stage I, Lai Chi Kok
	San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
New Territories	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi
	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Tuen Mun Town Plaza Branch	Shop No. G047-G052, Tuen Mun Town Plaza Phase I, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on, Tuesday, 30 January 2018 until 12:00 noon on Friday, 2 February 2018 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 "Horsford Nominees Limited – MI MING MART 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:

9:00 a.m. to 5:00 p.m., Tuesday, 30 January 2018
 9:00 a.m. to 5:00 p.m., Wednesday, 31 January 2018
 9:00 a.m. to 5:00 p.m., Thursday, 1 February 2018
 9:00 a.m. to 12:00 noon, Friday, 2 February 2018

HOW TO APPLY FOR PUBLIC OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 2 February 2018, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening and the closing of the applications lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, (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 of whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor 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 (Winding Up and Miscellaneous Provisions) Ordinance, the Companies 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 Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (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 Offer Shares under the Placing nor participated in the Placing;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (viii) agree to disclose to our Company, the Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, 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 and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (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 send any share certificate(s) and/or any refund cheque(s) and/or any e-Auto Refund payment instructions 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 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 and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (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 or to the **HK eIPO White Form** Service Provider; and
 - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

Individuals who meet the criteria in the paragraph headed “2. Who Can Apply” in this section above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated 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 set out 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 Provider.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service through the designated website at www.hkeipo.hk (24 hours daily, except on the last day for applications) from 9:00 a.m. on Tuesday, 30 January 2018 until 11:30 a.m. on Friday, 2 February 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 2 February 2018, the last day for applications, or such later time as described in the paragraph headed “10. Effect of bad weather on the opening and closing of the application lists” below.

HOW TO APPLY FOR PUBLIC OFFER SHARES

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, 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 the Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the 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.

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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 Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - 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 Placing 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, our Directors and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 Sponsor, the Sole Bookrunner, 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, the Sole Sponsor, our Hong Kong Share Registrar, receiving bank, the Sole Bookrunner, the Underwriters and/or its respective advisers and agents;
- 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 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 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 **electronic application instructions** to apply for Public Offer Shares;

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- 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 (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- 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 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, 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

9:00 a.m. to 8:30 p.m.⁽¹⁾, Tuesday, 30 January 2018
8:00 a.m. to 8:30 p.m.⁽¹⁾, Wednesday, 31 January 2018
8:00 a.m. to 8:30 p.m.⁽¹⁾, Thursday, 1 February 2018
8:00 a.m.⁽¹⁾ to 12:00 noon, Friday, 2 February 2018

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 Tuesday, 30 January 2018 until 12:00 noon on Friday, 2 February 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 2 February 2018, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening and the closing 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 (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 Sole Sponsor, the Hong Kong Share Registrar, the receiving bank, the Sole Bookrunner, 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 the Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Bookrunner 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 **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, 2 February 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- 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 of HK\$0.27 per Offer Share, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 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 in the Application Form.

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, see the section headed “Structure and conditions of the Share Offer – Offer Price” of this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING AND THE CLOSING 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, 2 February 2018.

Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If the application lists do not open and close on Friday, 2 February 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the level of 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, 9 February 2018 on our Company’s website at www.mimingmart.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.mimingmart.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Friday, 9 February 2018;
- 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, 9 February 2018 to 12:00 midnight on Thursday, 15 February 2018;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 9 February 2018 to Wednesday, 14 February 2018 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 9 February 2018 to Tuesday, 13 February 2018 at the designated receiving bank 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with 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 (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.

(ii) If our Company or our 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 Division 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

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- within a longer period of up to six weeks if the Listing Division of the Stock Exchange 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 at www.hkeipo.hk;
 - 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 would violate applicable securities or other laws, rules or regulations; or
 - your application is for more than 28,000,000 Public Offer Shares offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, or not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.27 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon) or if the conditions of the Share Offer are not fulfilled in accordance with the paragraph headed "Structure and conditions of the Share Offer - Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, 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, 9 February 2018.

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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 application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for.

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 dispatch/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, 9 February 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 12 February 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” of this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(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 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, 9 February 2018 or such other date as notified by us.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to 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 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, 9 February 2018, 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 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, 9 February 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 9 February 2018, 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 CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *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, 9 February 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iii) If you apply through HK eIPO White Form service:

- If you apply for 1,000,000 Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong 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, 9 February 2018, or any other place or date notified by our Company as the place or 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 and at your own risk.
- If you apply for less than 1,000,000 Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, 9 February 2018 by ordinary post and 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 specified in your application instructions in the form of refund cheque(s) by ordinary post and 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.

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, 9 February 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the sub-paragraph headed "11. Publication of results" above in this section on Friday, 9 February 2018.

HOW TO APPLY FOR PUBLIC OFFER SHARES

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 9 February 2018 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- 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, 9 February 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications (including brokerage, SFC transaction levy and 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, 9 February 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or 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.

The following is the text of a report set out on pages I-1 to I-36, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MI MING MART HOLDINGS LIMITED AND KINGSTON CORPORATE FINANCE LIMITED

Introduction

We report on the historical financial information of Mi Ming Mart Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-36, which comprises the combined statements of financial position as at 31 March 2015, 2016 and 2017 and 30 September 2017, statements of financial position of the Company as at 31 March 2017 and 30 September 2017 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the three years ended 31 March 2017 and the six months ended 30 September 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-36 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 January 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 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 of the Company, 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 Group's financial position as at 31 March 2015, 2016 and 2017 and 30 September 2017 and of the Company's financial position as at 31 March 2017 and 30 September 2017 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 1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 September 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES
ON THE GEM OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND
MISCELLANEOUS PROVISIONS) ORDINANCE****Adjustments**

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page I-4 as were considered necessary.

Dividends

We refer to Note 10 to the Historical Financial Information which contains information about the dividends declared by the Company's subsidiary and states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 January 2018

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 Historical Financial Information in this report was prepared based on financial statements of Inwell International Limited ("Inwell") for each of the year ended 31 March 2015, 2016 and 2017 prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standard ("HKFRSs") issued by the HKICPA ("Previously Issued Financial Statements"), financial statements of Inwell for the six months ended 30 September 2017 prepared in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA ("Stub Period Financial Statements"), management accounts of Rosy Horizon Global Limited ("Rosy Horizon") for the period from 8 March 2016 (date of incorporation) to 31 March 2017 and for the six months ended 30 September 2017 ("Rosy Horizon management accounts"), and management accounts of the Company for the period from 4 November 2016 (date of incorporation) to 31 March 2017 and for the six months ended 30 September 2017 prepared in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA (together collectively referred to as the "Underlying Financial Statements"). The Previously Issued Financial Statements and Stub Period Financial Statements were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollar ("HK dollar" or "HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			Six months ended 30 September	
		2015	2016	2017	2016	2017
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)	
Revenue	5	48,598	82,106	103,424	47,720	55,650
Cost of sales		(21,862)	(32,463)	(40,222)	(18,521)	(21,994)
Gross profit		26,736	49,643	63,202	29,199	33,656
Other income		1	660	105	32	147
Selling and distribution expenses		(9,279)	(18,492)	(23,651)	(11,131)	(15,081)
Administrative and operating expenses		(8,844)	(10,760)	(17,705)	(7,358)	(9,740)
Interest expense on bank borrowings		–	–	(24)	–	(92)
Other expense	27	–	–	–	–	(550)
Listing expenses		–	–	(8,672)	(4,058)	(1,246)
Profit before taxation	7	8,614	21,051	13,255	6,684	7,094
Income tax expense	8	(1,330)	(3,460)	(3,655)	(1,788)	(1,485)
Profit and total comprehensive income for the year/period		7,284	17,591	9,600	4,896	5,609

COMBINED STATEMENTS OF FINANCIAL POSITION/STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		The Group				The Company	
		As at 31 March			As at 30 September	As at 31 March	As at 30 September
		2015	2016	2017	2017	2017	2017
NOTES		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets							
Property, plant and equipment	12	979	3,194	3,473	3,632	–	–
Deferred tax assets	13	100	–	95	267	–	–
Other non-current assets	14	967	2,128	3,431	3,455	–	–
		<u>2,046</u>	<u>5,322</u>	<u>6,999</u>	<u>7,354</u>	<u>–</u>	<u>–</u>
Current assets							
Inventories		3,699	5,942	7,463	8,570	–	–
Trade receivables	15	250	243	293	602	–	–
Deposits, prepayments and other receivables	16	1,021	1,390	5,496	5,482	2,564	2,715
Amount due from a director	17	372	404	–	–	–	–
Pledged bank deposit	18	–	–	3,200	3,200	–	–
Bank balances and cash	18	5,967	10,728	13,620	19,532	–	–
		<u>11,309</u>	<u>18,707</u>	<u>30,072</u>	<u>37,386</u>	<u>2,564</u>	<u>2,715</u>
Current liabilities							
Trade payables	19	809	1,911	989	1,282	–	–
Accrued expenses and other payables	20	2,230	2,413	3,362	3,120	–	–
Bank borrowings	21	–	–	4,839	6,023	–	–
Amount due to a director	22(a)	893	487	–	–	–	–
Amount due to a related company	22(b)	69	7	–	–	–	–
Tax payable		192	2,192	1,328	2,153	–	–
		<u>4,193</u>	<u>7,010</u>	<u>10,518</u>	<u>12,578</u>	<u>–</u>	<u>–</u>
Net current assets		<u>7,116</u>	<u>11,697</u>	<u>19,554</u>	<u>24,808</u>	<u>–</u>	<u>–</u>
Total assets less current liabilities		<u>9,162</u>	<u>17,019</u>	<u>26,553</u>	<u>32,162</u>	<u>2,564</u>	<u>2,715</u>
Non-current liability							
Deferred tax liabilities	13	–	66	–	–	–	–
Net assets		<u>9,162</u>	<u>16,953</u>	<u>26,553</u>	<u>32,162</u>	<u>2,564</u>	<u>2,715</u>
Capital and reserves							
Share capital	23	–	–	–	–	–	–
Reserves		<u>9,162</u>	<u>16,953</u>	<u>26,553</u>	<u>32,162</u>	<u>2,564</u>	<u>2,715</u>
Total equity		<u>9,162</u>	<u>16,953</u>	<u>26,553</u>	<u>32,162</u>	<u>2,564</u>	<u>2,715</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2014	–	9,878	9,878
Profit and total comprehensive income for the year	–	7,284	7,284
Dividend recognised as distribution (Note 10)	–	(8,000)	(8,000)
At 31 March 2015	–	9,162	9,162
Profit and total comprehensive income for the year	–	17,591	17,591
Dividend recognised as distribution (Note 10)	–	(9,800)	(9,800)
At 31 March 2016	–	16,953	16,953
Profit and total comprehensive income for the year	–	9,600	9,600
At 31 March 2017	–	26,553	26,553
Profit and total comprehensive income for the period	–	5,609	5,609
At 30 September 2017	–	32,162	32,162
For the six months ended 30 September 2016 (unaudited)			
At 1 April 2016	–	16,953	16,953
Profit and total comprehensive income for the period	–	4,896	4,896
At 30 September 2016	–	21,849	21,849

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	8,614	21,051	13,255	6,684	7,094
Adjustments for:					
Depreciation	1,107	1,257	2,028	835	1,432
Net gain on disposal of property, plant and equipment	–	(583)	–	–	–
Interest expense on bank borrowings	–	–	24	–	92
Operating cash flows before movements in working capital	9,721	21,725	15,307	7,519	8,618
Decrease (increase) in inventories	243	(2,243)	(1,521)	(1,697)	(1,107)
(Increase) decrease in trade receivables	(32)	7	(50)	(181)	(309)
Increase in deposits, prepayments and other receivables	(658)	(1,530)	(5,409)	(770)	(10)
Increase (decrease) in trade payables	327	1,102	(922)	(542)	293
Increase (decrease) in accrued expenses and other payables	1,537	183	931	602	(265)
Increase (decrease) in amount due to a related company	69	(62)	(7)	(7)	–
Cash generated from operations	11,207	19,182	8,329	4,924	7,220
Hong Kong Profits Tax paid	(1,287)	(1,294)	(4,680)	(374)	(832)
NET CASH FROM OPERATING ACTIVITIES	9,920	17,888	3,649	4,550	6,388
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(862)	(3,720)	(2,307)	(987)	(1,591)
Advance to a director	(372)	(32)	(2,624)	(2,263)	–
Proceeds from disposal of property, plant and equipment	–	831	–	–	–
Repayment from a director	–	–	3,028	–	–
Placement on pledged bank deposit	–	–	(3,200)	(200)	–
NET CASH USED IN INVESTING ACTIVITIES	(1,234)	(2,921)	(5,103)	(3,450)	(1,591)

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
FINANCING ACTIVITIES					
Repayment to a director and dividend paid	(10,231)	(11,321)	(497)	(487)	–
Advance from a director	1,953	1,115	10	–	–
Bank borrowings raised	–	–	4,839	–	7,615
Repayment of bank borrowings	–	–	–	–	(6,431)
Interest paid	–	–	(6)	–	(69)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(8,278)	(10,206)	4,346	(487)	1,115
NET INCREASE IN CASH AND CASH EQUIVALENTS	408	4,761	2,892	613	5,912
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	5,559	5,967	10,728	10,728	13,620
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	<u>5,967</u>	<u>10,728</u>	<u>13,620</u>	<u>11,341</u>	<u>19,532</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 November 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office and the principal place of business is disclosed in the section "Corporate Information" to the Prospectus.

At the time of incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, of which one share was allotted and issued as fully paid to a subscriber. Subsequently on the same date, the subscriber transferred one share to Prime Era Holdings Limited ("Prime Era"), which is owned by Ms. Yuen Mi Ming Erica ("Ms. Erica Yuen").

On 23 January 2018, pursuant to the group reorganisation, as fully explained in section headed "History, Reorganisation and Corporate Structure" to the Prospectus (the "Reorganisation"), the Company acquired the entire issued share capital of Rosy Horizon from Ms. Erica Yuen. In consideration thereof and at the instruction of Ms. Erica Yuen, the Company allotted and issued as fully paid one share to Prime Era. The said transfer was properly and legally completed and settled. After such transfer, Rosy Horizon became a wholly-owned subsidiary of the Company.

The companies now comprising the Group underwent a series of reorganisation. Prior to the Reorganisation, the companies comprising the Group were ultimately controlled by Ms. Erica Yuen. On 23 December 2016, Rosy Horizon acquired the shares of Inwell from Ms. Erica Yuen. After the said transfers, Inwell became a wholly-owned subsidiary of Rosy Horizon.

Pursuant to the Reorganisation, which was completed by interspersing the Company between Ms. Erica Yuen and Rosy Horizon, the Company became the holding company of the companies now comprising the Group on 23 January 2018. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period or since their respective dates of incorporation, where there is a shorter period. The combined statements of financial position of the Group as at 31 March 2015, 2016 and 2017 and 30 September 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

The functional currency of the Company is HK dollar, same as the presentation currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 April 2017 throughout the Track Record Period.

At the date of this report, HKICPA has issued the following new and revised HKFRSs that are not yet effective. The Group has not early adopted these new and revised HKFRSs.

HKFRSs

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
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 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKAS 28	As part of the Annual Improvements to HKFRS 2014-2016 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2021

HKFRS 9 “Financial Instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Group is in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 30 September 2017, the directors of the Company anticipate that the application of HKFRS 9 in the future may not have a material impact on the Group's financial assets measured at amortised cost.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows except for the short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 September 2017, the Group has non-cancellable operating lease commitments of HK\$16,571,000 as disclosed in note 24 and such amounts had original lease terms over 1 year. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases at its present value upon the application of HKFRS 16. In addition, the Group currently considers refundable rental deposits paid of HK\$4,958,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amounts of right-of-use assets. Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

The directors of the Company anticipate that the application of the other new and amendments to HKFRSs and new interpretations will have no material impact on the future financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services rendered.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

The principal accounting policies adopted are as follows:

Basis of combination

The Historical Financial Information incorporates the financial statements of the entities comprising the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts, returns and allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers, under the customer membership programme of the Group, are accounted for as multiple element revenue transaction and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be redeemed. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Consignment commission represents commission earned for goods consigned to the Group and the income is recognised when the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Taxation

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

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before taxation" as reported in the combined statements of profit or loss and other comprehensive income because 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 temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences 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.

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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

Current and deferred tax are recognised in profit or loss.

Borrowing 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 added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Property, plant and equipment

Property, plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories represent mainly finished goods held for resale (including packaged and unpackaged goods) and are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from directors, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of loans and receivables could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss of financial assets recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss of financial assets decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the loans and receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables and amount due to a director/a related company) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognised a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the following twelve months.

Allowance for inventories

Management of the Company reviews the inventories listing at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified based on management's estimation and experience. As at 31 March 2015, 2016 and 2017 and 30 September 2017, the carrying amount of inventories (with nil allowance made) is HK\$3,699,000, HK\$5,942,000, HK\$7,463,000 and HK\$8,570,000, respectively. Management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. If the conditions of inventories are deteriorated, or the market conditions worsen significantly, additional allowances may be required.

5. REVENUE

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Sale of goods					
Retail stores	44,859	76,850	96,870	44,342	53,939
Online shop	1,840	2,830	3,399	1,748	1,101
Consignment sales	936	550	320	199	93
Distributor	–	152	582	141	186
Subtotal	47,635	80,382	101,171	46,430	55,319
Consignment Commission					
Retail stores	953	1,702	2,202	1,256	330
Online shop	10	22	51	34	1
Subtotal	963	1,724	2,253	1,290	331
Total	48,598	82,106	103,424	47,720	55,650

6. SEGMENT INFORMATION

The Group has one operating segment based on information reported to the chief operating decision maker of the Group (the executive directors of the Company who are also directors of the operating subsidiary) (the “CODM”), for the purpose of resource allocation and performance assessment, which is the aggregate results of the Group including all income, expenses (excluding the other expense and listing expenses) and tax charges. As a result, there is only one reporting segment of the Group.

The following is an analysis of the Group’s revenue and results by its operating segment – marketing, selling and distributing a wide range of beauty and health products.

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Revenue – external sales	48,598	82,106	103,424	47,720	55,650
Segment results	7,284	17,591	18,272	8,954	7,405
Less:					
Other expense	–	–	–	–	(550)
Listing expenses	–	–	(8,672)	(4,058)	(1,246)
Profit for the year	7,284	17,591	9,600	4,896	5,609

No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

The accounting policies of the operating segments are the same as the Group’s accounting policies described in note 3. Segment results represents profit earned from each segment without allocation of other expense and listing expenses. This is the measure reported to the chief operating decision maker of the Group for the purpose of resource allocation and performance assessment.

Revenue from major products and service

The following is an analysis of the Group's revenue from its major products and service:

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Skincare	34,246	58,139	72,186	31,708	40,865
Cosmetics	6,141	8,264	12,346	6,103	5,572
Food and health supplements	5,292	9,802	9,066	5,326	5,102
Other products	1,956	4,177	7,573	3,293	3,780
Consignment sales service	963	1,724	2,253	1,290	331
Total	<u>48,598</u>	<u>82,106</u>	<u>103,424</u>	<u>47,720</u>	<u>55,650</u>

Geographical information

The Group's operations are located in Hong Kong. All of the Group's non-current assets are located in Hong Kong and approximately 98%, 99%, 99%, 99% and 99% of the Group's revenue from external customers during the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2016 and 2017, respectively, are generated in Hong Kong.

Information about major customers

No revenue from a single customer of the Group contributed over 10% of the total revenue of the Group during each of the reporting period comprising the Track Record Period.

7. PROFIT BEFORE TAXATION

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Profit before taxation has been arrived at after charging (crediting):					
Directors' remuneration (<i>Note 9</i>)	2,933	2,776	3,440	1,393	1,818
Other staff salaries and allowances	5,779	9,333	15,338	6,450	8,617
Retirement benefit scheme contributions, excluding those of directors	251	387	699	289	389
Total employee benefits expenses	<u>8,963</u>	<u>12,496</u>	<u>19,477</u>	<u>8,132</u>	<u>10,824</u>
Auditor's remuneration					
– Audit services					
– current year/period	300	300	400	150	200
– under-provision for prior year/period	–	15	–	–	–
– Non-audit services	–	51	1,438	713	203
Depreciation of property, plant and equipment	1,107	1,257	2,028	835	1,432
Cost of inventories recognised as expenses (included in cost of sales)	21,745	32,396	40,180	18,494	21,980
Net gain on disposal of property, plant and equipment	–	(583)	–	–	–
Net exchange losses (gain) (included in administrative expenses/other income)	96	(71)	(17)	10	(124)

APPENDIX I ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

8. INCOME TAX EXPENSE

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Hong Kong Profits Tax					
– current year	1,497	3,314	3,823	1,867	1,657
– (over) under provision in prior years/periods	(10)	(20)	(7)	13	–
	1,487	3,294	3,816	1,880	1,657
Deferred taxation (<i>Note 13</i>)	(157)	166	(161)	(92)	(172)
	1,330	3,460	3,655	1,788	1,485

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Profit before taxation	8,614	21,051	13,255	6,684	7,094
Tax at Hong Kong Profits Tax rate of 16.5%	1,421	3,473	2,187	1,103	1,171
Tax effect of expenses not deductible for tax purposes	–	1	1,468	672	314
(Over) under provision in prior years	(10)	(20)	(7)	13	–
Others	(81)	6	7	–	–
Income tax expenses	1,330	3,460	3,655	1,788	1,485

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and the chief executive's emoluments

Details of the emoluments paid or payable by the entities comprising the Group to the directors and the chief executive of the Company appointed on 11 January 2017 during the Track Record Period are as follows:

For the year ended 31 March 2015

Name of director	Fee HK\$'000	Salaries and other allowances HK\$'000	Performance related incentive payments HK\$'000 (<i>Note</i>)	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
Ms. Yuen Mimi Mi Wahng** ("Ms. Mimi Yuen")	–	819	40	17	876
Ms. Erica Yuen**	–	2,040	–	17	2,057
	–	2,859	40	34	2,933

For the year ended 31 March 2016

Name of director	Fee HK\$'000	Salaries and other allowances HK\$'000	Performance related incentive payments HK\$'000 (Note)	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
Ms. Mimi Yuen**	–	790	–	18	808
Ms. Erica Yuen**	–	1,950	–	18	1,968
	–	2,740	–	36	2,776

For the year ended 31 March 2017

Name of director	Fee HK\$'000	Salaries and other allowances HK\$'000	Performance related incentive payments HK\$'000 (Note)	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
Ms. Mimi Yuen**	–	1,454	–	18	1,472
Ms. Erica Yuen**	–	1,950	–	18	1,968
Non-executive Directors					
Mr. Lam Yue Yeung Anthony* ("Mr. Anthony Lam")	–	–	–	–	–
Mr. Cheung Siu Hon Ronald* ("Mr. Ronald Cheung")	–	–	–	–	–
	–	3,404	–	36	3,440

For the six months ended 30 September 2016 (unaudited)

Name of director	Fee HK\$'000	Salaries and other allowances HK\$'000	Performance related incentive payments HK\$'000 (Note)	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
Ms. Mimi Yuen**	–	475	–	9	484
Ms. Erica Yuen**	–	900	–	9	909
	–	1,375	–	18	1,393

For the six months ended 30 September 2017

Name of director	Fee HK\$'000	Salaries and other allowances HK\$'000	Performance related incentive payments HK\$'000 (Note)	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
Ms. Mimi Yuen**	–	900	–	9	909
Ms. Erica Yuen**	–	900	–	9	909
Non-executive Directors					
Mr. Anthony Lam#	–	–	–	–	–
Mr. Ronald Cheung#	–	–	–	–	–
	–	1,800	–	18	1,818

* The emoluments of executive directors were paid or payable by entities comprising the Group in their capacity as key management personnel of Inwell during the Track Record Period.

Appointed on 11 January 2017.

Ms. Erica Yuen is also the chief executive of the Group and her emoluments disclosed above include those for services rendered by her as the chief executive.

The directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Group.

Note: Performance related incentive payments were determined with reference to the Group's operating results and individual performance.

(b) Employees' emoluments

The five highest paid individuals of the Group for the Track Record Period include two individuals who were appointed as directors of the Company. The emoluments of the remaining three highest paid individuals for the Track Record Period are as follows:

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Salaries and other allowances	1,055	1,139	1,490	664	833
Retirement benefit scheme contributions	31	36	50	26	26
	1,086	1,175	1,540	690	859

The emoluments of the above highest paid employees were less than HK\$1,000,000 each during the Track Record Period.

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company or the chief executive of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company or the chief executive of the Group waived any emoluments during the Track Record Period.

10. DIVIDENDS

During the year ended 31 March 2015, Inwell declared dividends of HK\$80,000 per share amounting to HK\$8,000,000 to Ms. Erica Yuen and settled through amount due to a director.

During the year ended 31 March 2016, Inwell declared dividends of HK\$98,000 per share amounting to HK\$9,800,000 to Ms. Erica Yuen and settled through amount due to a director.

No dividend was paid or declared by the Company since its incorporation.

11. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the Reorganisation and the presentation of results on a combined basis as set out in Note 1.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 April 2014	1,051	418	423	2,007	3,899
Additions	203	131	338	190	862
At 31 March 2015	1,254	549	761	2,197	4,761
Additions	2,382	152	403	783	3,720
Disposals	(947)	(9)	(229)	(1,059)	(2,244)
At 31 March 2016	2,689	692	935	1,921	6,237
Additions	1,624	317	366	–	2,307
Disposals	(332)	(201)	–	–	(533)
At 31 March 2017	3,981	808	1,301	1,921	8,011
Additions	1,291	176	124	–	1,591
At 30 September 2017	5,272	984	1,425	1,921	9,602
DEPRECIATION					
At 1 April 2014	837	324	247	1,267	2,675
Provided for the year	315	90	128	574	1,107
At 31 March 2015	1,152	414	375	1,841	3,782
Provided for the year	454	117	213	473	1,257
Eliminated on disposals	(845)	–	(92)	(1,059)	(1,996)
At 31 March 2016	761	531	496	1,255	3,043
Provided for the year	1,356	147	190	335	2,028
Eliminated on disposals	(332)	(201)	–	–	(533)
At 31 March 2017	1,785	477	686	1,590	4,538
Provided for the period	1,098	98	100	136	1,432
At 30 September 2017	2,883	575	786	1,726	5,970
CARRYING VALUES					
At 31 March 2015	102	135	386	356	979
At 31 March 2016	1,928	161	439	666	3,194
At 31 March 2017	2,196	331	615	331	3,473
At 30 September 2017	2,389	409	639	195	3,632

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the lease terms
Computer equipment	30%
Office equipment	20%
Motor vehicles	30%

13. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

	Accelerated tax/accounting depreciation HK\$'000
At 1 April 2014	(57)
Credited to profit or loss	157
At 31 March 2015	100
Charged to profit or loss	(166)
At 31 March 2016	(66)
Credited to profit or loss	161
At 31 March 2017	95
Credited to profit or loss	172
At 30 September 2017	<u>267</u>

14. OTHER NON-CURRENT ASSETS

The balances mainly represent rental deposits placed by the Group in connection with its rented premises. The relevant leases will expire after one year from the end of the respective reporting period, or if the remaining lease term is less than one year, the Group has the positive intention to renew the leases upon expiry. Therefore, the balances are classified as non-current.

15. TRADE RECEIVABLES

The following is an aged analysis of trade receivables presented based on the revenue recognition date at the end of each reporting period.

	2015 HK\$'000	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 30 September 2017 HK\$'000
Within 30 days	250	243	293	597
31-60 days	—	—	—	4
Over 60 days	—	—	—	1
	<u>250</u>	<u>243</u>	<u>293</u>	<u>602</u>

The following is an aged analysis of trade receivables which are past due but not impaired at the end of each reporting period.

	2015 HK\$'000	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 30 September 2017 HK\$'000
Within 30 days	6	—	4	—
	<u>6</u>	<u>—</u>	<u>4</u>	<u>—</u>

The Group's revenue is generated mainly from cash, credit card sales and consignment sales. The average credit period on credit cards sales and consignment sales is 2 days and 0 – 30 days, respectively. The balance of trade receivables within due dates mainly represents trade receivables arising from credit card sales. No default of settlement is expected by reference to past experience. There are no significant overdue debtors at the end of each reporting period.

Trade receivables on overdue debtors are provided for allowance based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experiences, if any.

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group				The Company	
	As at 31 March			As at 30 September	As at 31 March	As at 30 September
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	2017 HK\$'000	2017 HK\$'000
Other receivables	328	400	641	367	–	–
Rental and utility deposits	245	570	1,722	1,679	–	–
Prepayments	448	420	569	721	–	–
Deferred listing costs	–	–	2,564	2,715	2,564	2,715
Total	1,021	1,390	5,496	5,482	2,564	2,715

Included in other receivables are the following amounts denominated in currencies other than the functional currencies of the respective group entities which they relate:

	2015 HK\$'000	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 30 September 2017 HK\$'000
Australia dollar ("AUD")	–	4	–	–

17. AMOUNT DUE FROM A DIRECTOR

Name of Director	2015 HK\$'000	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 30 September 2017 HK\$'000
Ms. Mimi Yuen	372	404	–	–

Maximum amounts outstanding during the Track Record Period are as follows:

Name of director	Year ended 31 March			Six months ended 30 September
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Ms. Mimi Yuen	734	455	881	–
Ms. Erica Yuen	–	–	2,111	–

The amount is denominated in HK\$, unsecured, non-interest bearing, non-trade in nature and repayable on demand. The amount had been settled during the year ended 31 March 2017.

18. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

Pledged bank deposit with original maturity of more than three months carried interest rate ranging from 0.15% to 0.5% and 0.15% to 0.5% per annum as at 31 March 2017 and 30 September 2017, respectively. The bank deposit has been pledged to secure the banking facilities of the Group and are classified as current assets.

Bank balances carry interest at prevailing market rate of 0.01%, 0.01%, ranging from 0.01% to 0.025% and 0.01% to 0.025% per annum as at 31 March 2015, 2016 and 2017 and 30 September 2017, respectively.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currencies of the respective group entities which they relate:

	2015	As at 31 March 2016	2017	As at 30 September 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States dollar ("USD")	–	90	122	122
AUD	1,642	1,189	4,469	4,598
	<u>1,642</u>	<u>1,189</u>	<u>4,469</u>	<u>4,598</u>

19. TRADE PAYABLES

The following is an aged analysis of trade payables based on the invoice date at the end of each reporting period.

	2015	As at 31 March 2016	2017	As at 30 September 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	798	1,883	987	1,280
31 – 60 days	–	12	–	–
Over 60 days	11	16	2	2
	<u>809</u>	<u>1,911</u>	<u>989</u>	<u>1,282</u>

Included in trade payables are the following amounts denominated in currencies other than the functional currencies of the respective group entities which they relate:

	2015	As at 31 March 2016	2017	As at 30 September 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USD	–	260	2	2
AUD	–	544	–	–
	<u>–</u>	<u>544</u>	<u>–</u>	<u>–</u>

20. ACCRUED EXPENSES AND OTHER PAYABLES

	2015	As at 31 March 2016	2017	As at 30 September 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables	247	557	520	492
Receipt in advance	134	218	68	55
Accrued expenses	1,736	1,514	2,647	2,371
Deferred income (<i>Note</i>)	113	124	127	202
	<u>2,230</u>	<u>2,413</u>	<u>3,362</u>	<u>3,120</u>

Note: The amounts represent the deferred income in relation to customer membership programme.

21. BANK BORROWINGS

As at 31 March 2015, 2016 and 2017 and 30 September 2017, the Group's bank borrowings of nil, nil, HK\$4,839,000 and HK\$6,023,000, respectively is denominated in HK\$, secured by a pledged bank deposit and repayable within one year. The amount carried at variable interest rate with reference to prime lending rate minus a specific margin of the bank. The effective interest rate for the year ended 31 March 2015, 2016 and 2017 and for six months ended 30 September 2017 is nil, nil, 3.75% and 3.75% per annum.

Details of the Group's bank borrowings guaranteed by related parties is set out in note 26(d).

22. AMOUNT DUE TO A DIRECTOR/A RELATED COMPANY

(a) Amount due to a director

The amount is due to Ms. Erica Yuen. The amount is denominated in HK\$, unsecured, interest-free and repayable on demand. The amount had been settled during the year ended 31 March 2017.

(b) Amount due to a related company

The amount is due to a related company, Just Perfect Company Limited ("Just Perfect"). The amount is denominated in HK\$, unsecured, non-interest bearing and repayable according to the credit term of 15 days. Just Perfect is a company which a director of the Company had joint control. The amount had been settled during the year ended 31 March 2017.

23. SHARE CAPITAL

The issued share capital of the Group as at 31 March 2015 and 2016 represents the share capital of Inwell amounting to HK\$100.

The issued share capital of the Group as at 31 March 2017 and 30 September 2017 represents the aggregate share capital of the Company of HK\$0.01 and Rosy Horizon amounting to US\$4 (equivalent to HK\$32).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands on 4 November 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary share of HK\$0.01 each.

Below is a table showing the movements of the share capital and reserves of the Company since its incorporation and up to 30 September 2017:

	Share capital HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At date of incorporation	—	—	—	—
Loss for the period	—	—	(8,672)	(8,672)
Deemed contribution from a shareholder (note)	—	11,236	—	11,236
At 31 March 2017	—	11,236	(8,672)	2,564
Loss for the period	—	—	(1,805)	(1,805)
Deemed contribution from a shareholder (note)	—	1,956	—	1,956
At 30 September 2017	—	13,192	(10,477)	2,715

Note: The amount mainly represents the payment of listing expenses on behalf of the Company without recharge.

24. OPERATING LEASE COMMITMENTS

The Group as lessee

Operating lease payments represent rentals payable by the Group for its office premises, warehouses and retail stores. Leases are negotiated for a term with ranges from one to three years. Certain lease contracts are with contingent rental arrangements dependent upon the level of sales achieved by particular stores.

During the Track Record Period, the Group made rental payments for rented premises under operating leases as follows:

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Minimum leases payments	3,769	6,623	9,257	4,251	5,997
Contingent rental payments	561	573	1,015	377	534
	<u>4,330</u>	<u>7,196</u>	<u>10,272</u>	<u>4,628</u>	<u>6,531</u>

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 March			As at 30 September
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rented premises				
Within one year	3,678	6,957	10,817	12,579
In the second to fifth year inclusive	1,850	6,086	5,586	3,992
	<u>5,528</u>	<u>13,043</u>	<u>16,403</u>	<u>16,571</u>

In addition to these commitments, the Group may pay additional rental expenses in respect of certain premises which are dependent upon the level of sales achieved by particular stores.

25. RETIREMENT BENEFIT SCHEMES

The Group operates the Mandatory Provident Fund ("MPF") scheme for qualifying employees of the Company and its subsidiaries in Hong Kong. The assets of the MPF scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes at the lower of HK\$1,500 (HK\$1,250 before 1 June 2014) or 5% of relevant monthly payroll costs to the MPF scheme, which contribution is matched by employees.

The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

26. RELATED PARTY DISCLOSURES

(a) During the Track Record Period, the Group entered into the following transactions with related parties:

Name of related party	Relationship	Nature of transactions	Year ended 31 March		Six months ended 30 September		
			2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
						(unaudited)	
Ms. Erica Yuen	A director of the Company	Purchase of finished goods	649	3	–	–	–
		Sales of finished goods	26	37	85	46	18
Mr. Anthony Lam	A non-executive director of the Company and a close family member of Ms. Erica Yuen	Sales of finished goods	38	5	20	3	12
Ms. Mimi Yuen	A director of the Company	Sales of finished goods	50	45	6	1	10
Just Perfect Company Limited	A company which a director of the Company has joint control	Consignment commission income	119	59	2	2	–
			=====	=====	=====	=====	=====

(b) **Related party balances**

Details of the outstanding balances with related parties are set out in the combined statements of financial position and in notes 17 and 22.

(c) **Compensation of key management personnel of the Company**

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
				(unaudited)	
Salaries and other allowances	2,859	2,946	4,111	1,691	2,207
Performance related incentive payments	40	60	149	44	75
Retirement benefit scheme and contributions	34	47	71	27	36
	=====	=====	=====	=====	=====
Total	2,933	3,053	4,331	1,762	2,318

The remuneration of directors and other member of key management personnel of the Company are determined having regard to the performance of the individuals.

(d) **Banking facilities**

As at 31 March 2017 and 30 September 2017, certain banking facilities granted to the Group were guaranteed by Ms. Erica Yuen and Ms. Mimi Yuen and the utilisation of such facilities by the Group amounted to HK\$4,839,000 and HK\$6,023,000, respectively. According to the banking facility letter, the guarantees will be released upon the completion of the listing of the Company's share on the GEM of the Stock Exchange.

(e) **Other guarantees**

Certain lease contracts entered into by the Group were guaranteed by Ms. Erica Yuen and Ms. Mimi Yuen. According to the banking facility letter, the guarantees will be released upon the completion of the listing of the Company's share on the GEM of the Stock Exchange.

27. OTHER EXPENSE

In December 2016, the Group terminated the contract with and received a demand notice from a service provider for a payment of approximately HK\$756,000 in respect of services rendered to the Group. In consideration of the service provider has yet to complete the scope of work under the engagement letter, the directors of the Company did not agree on the payment. In January 2017, the Group was served with a writ of summons from the service provider.

In August 2017, in consideration of the best interest of the Group, the directors of the Company decided to resolve the case and a payment of HK\$550,000 has been made by the Group and charged to profit or loss during the six months ended 30 September 2017.

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which includes bank borrowings and amount due to a director, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure.

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group			As at 30
	As at 31 March			September
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	7,045	11,877	17,794	23,701
	<u>7,045</u>	<u>11,877</u>	<u>17,794</u>	<u>23,701</u>
Financial liabilities				
Amortised cost	2,018	2,962	6,348	7,797
	<u>2,018</u>	<u>2,962</u>	<u>6,348</u>	<u>7,797</u>

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from (to) a director/a related company, bank balances and cash, trade and other payables and bank borrowing. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (represented by interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk – Currency risk

The Group's operational activities are mainly denominated in HK\$. The Group is exposed to foreign currency risk primarily arising from purchase of goods by foreign currencies and bank deposits. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	Assets				Liabilities			
	As at 31 March			As at 30	As at 31 March			As at 30
	2015	2016	2017	September	2015	2016	2017	September
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USD	–	90	122	122	–	260	2	2
AUD	1,642	1,193	4,469	4,598	–	544	–	–

Sensitivity Analysis

The above USD denominated assets and liabilities are insignificant to the Group. Accordingly, no sensitivity analysis is presented for USD against functional currencies.

The following table details the Group's sensitivity to a 5% increase and decrease in AUD against HK\$. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates increase in post-tax profit for the year where AUD strengthens 5% against HK\$. For a 5% weakening AUD against HK\$, there would be an equal and opposite impact on the post-tax profit.

	Year ended 31 March		Six months ended	
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit or loss	69	27	186	192

Interest Rate Risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposit.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowing and bank balances. Management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The directors of the Company consider that the Group's exposure to cash flow interest rate risk as a result of the change of market interest rate is insignificant, therefore, no sensitivity analysis is presented.

Credit risk

As at 31 March 2015, 2016 and 2017 and 30 September 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the management of the Group has assessed the credibility and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debts at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The credit risk on amount due from a director is limited because the management of the Group have a good understanding of her financial background and abilities to repay the debts.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with management, which has built an appropriate liquidity risk management framework for the management of the Group's short term funding and liquidity management requirements.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
At 31 March 2015				
Trade payables	–	809	809	809
Other payables	–	247	247	247
Amount due to a director	–	893	893	893
Amount due to a related company	–	69	69	69
		<u>2,018</u>	<u>2,018</u>	<u>2,018</u>
At 31 March 2016				
Trade payables	–	1,911	1,911	1,911
Other payables	–	557	557	557
Amount due to a director	–	487	487	487
Amount due to a related company	–	7	7	7
		<u>2,962</u>	<u>2,962</u>	<u>2,962</u>
At 31 March 2017				
Trade payables	–	989	989	989
Other payables	–	520	520	520
Bank borrowings				
– variable-rate	3.75	4,839	4,839	4,839
		<u>6,348</u>	<u>6,348</u>	<u>6,348</u>
At 30 September 2017				
Trade payables	–	1,282	1,282	1,282
Other payables	–	492	492	492
Bank borrowings				
– variable-rate	3.75	6,023	6,023	6,023
		<u>7,797</u>	<u>7,797</u>	<u>7,797</u>

Bank borrowings with a repayment on demand clause are included in the “on demand on less than 1 month” time band in the above maturity analysis. As at 31 March 2015, 2016 and 2017 and 30 September 2017, the aggregate undiscounted principal amounts and interest of these bank borrowings amounted to nil, nil, HK\$4,884,000 and HK\$6,079,000, respectively. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, all bank borrowings with a repayment on demand clause are repayable within 1 year based on the repayments schedule.

(c) **Fair value**

For financial reporting purpose, fair value measurements are based on the inputs which are unobservable inputs for the assets and liabilities.

The fair values of the financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined financial statements approximate their fair values.

30. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

The table below details the change in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those from which cash flows were, or future cash flows will be, classified in the Group’s combined statements of cash flows as cash flows from financing activities.

	As at 1 April 2014 HK\$'000	Financing cash flows HK\$'000	Other changes (note iv) HK\$'000	As at 31 March 2015 HK\$'000
Amount due to a director (note i)	1,171	(8,278)	8,000	893
	<u>1,171</u>	<u>(8,278)</u>	<u>8,000</u>	<u>893</u>
	As at 1 April 2015 HK\$'000	Financing cash flows HK\$'000	Other changes (note iv) HK\$'000	As at 31 March 2016 HK\$'000
Amount due to a director (note i)	893	(10,206)	9,800	487
	<u>893</u>	<u>(10,206)</u>	<u>9,800</u>	<u>487</u>
	As at 1 April 2016 HK\$'000	Financing cash flows HK\$'000	Other changes (note iv) HK\$'000	As at 31 March 2017 HK\$'000
Amount due to a director (note i)	487	(487)	–	–
Bank borrowings (note ii)	–	4,839	–	4,839
Accrued interest expense (note iii)	–	(6)	24	18
	<u>487</u>	<u>4,346</u>	<u>24</u>	<u>4,857</u>

	As at 1 April 2017 HK\$'000	Financing cash flows HK\$'000	Other changes (note iv) HK\$'000	As at 30 September 2017 HK\$'000
Bank borrowings (note ii)	4,839	1,184	–	6,023
Accrued interest expense (note iii)	18	(69)	92	41
	<u>4,857</u>	<u>1,115</u>	<u>92</u>	<u>6,064</u>
	As at 1 April 2016 HK\$'000 (Unaudited)	Financing cash flows HK\$'000 (Unaudited)	Other changes (note i) HK\$'000 (Unaudited)	As at 30 September 2016 HK\$'000 (Unaudited)
Amount due to a director (note i)	487	(487)	–	–

Note:

- (i) The financing cash flows from amount due to a director make up the net amount of repayment to a director and dividend paid, and advance from a director in the combined statements of cash flows.
- (ii) The financing cash flows from bank borrowings make up the net amount of bank borrowings raised and repayment of bank borrowings in the combined statements of cash flows.
- (iii) The accrued interest expenses represent the interest expenses accrued for the bank borrowings which included in the line item of "Accrued expenses and other payables". The financing cash flows from accrued interest expenses represent the interest paid in the combined statements of cash flows.
- (iv) Other changes represent the finance cost and dividend declared during the year/period.

31. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and the date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Equity interest attributable to the Company as at				the date of this report	Principal activities	Notes
			2015	31 March 2016	2017	30 September 2017			
Rosy Horizon	British Virgin Islands, 8 March 2016	US\$4	N/A	N/A	100%	100%	100%	Investment holding	(a)
Inwell	Hong Kong, 15 July 1993	HK\$100	100%	100%	100%	100%	100%	Marketing, selling and distributing a wide range of beauty and health products	(b)

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 March as their financial year end date.

Notes:

- (a) No audited financial statements of Rosy Horizon have been prepared since its date of incorporation as it incorporated in the jurisdiction where there are no statutory audit requirements.
- (b) The statutory financial statements of Inwell for the year ended 31 March 2015, 2016 and 2017 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us.

32. SUBSEQUENT EVENTS

Saved as disclosed in the report, subsequent to 30 September 2017, the following significant events took place:

- (i) On 23 January 2018, the Reorganisation as detailed in the section headed “History, Reorganisation and Corporate Structure” in this prospectus was duly completed.
- (ii) Pursuant to the written resolution of the sole shareholder passed on 23 January 2018, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of a further 1,962,000,000 shares.
- (iii) the issue of 839,999,998 shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of the Company as set out in the section headed “A. Further information about our Company and our subsidiaries – 3. Written resolutions of the sole Shareholder” in Appendix IV to this prospectus.

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 September 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the accountants' report on the financial information for each of the three years ended 31 March 2017 and the six months ended 30 September 2017 of the Group (the "Accountants' Report on Historical Financial Information") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this Prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the "Accountants' Report on Historical Financial Information" set forth in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNER OF THE COMPANY

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to the owner of the Company prepared in accordance with Rules 7.31 of the GEM Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Share Offer on the combined net tangible assets of the Group attributable to the owner of the Company as at 30 September 2017, as if the Share Offer had taken place on such date.

The unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to the owner of the Company as at 30 September 2017 or at any future dates following the Share Offer. It is prepared based on the audited combined net tangible assets of the Group attributable to the owner of the Company as at 30 September 2017 as shown in the Accountants' Report on Historical Financial Information as set out in Appendix I to this prospectus and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the owner of the Company as at 30 September 2017 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owner of the Company as at 30 September 2017 HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owner of the Company as at 30 September 2017 per Share HK\$ (Note 3)
Based on Offer Price of HK\$0.22 per Offer Share	32,162	41,490	73,652	0.07
Based on Offer Price of HK\$0.27 per Offer Share	32,162	54,790	86,952	0.08

Notes:

1. The audited combined net tangible assets of the Group attributable to the owner of the Company as at 30 September 2017 is based on the combined net assets of the Group attributable to the owner of the Company amounted to HK\$32,162,000, extracted from the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 280,000,000 Offer Shares at the Offer Price of HK\$0.22 and HK\$0.27 per Offer Share, after deduction of the estimated underwriting fees and other related fees and expenses incurred or expected to be incurred and borne by the Group (excluding approximately HK\$9,918,000 of listing expenses which have been charged to profit or loss up to 30 September 2017 by the Group). It does not take into account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the Company's general mandates.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

3. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owner of the Company as at 30 September 2017 per Share has been arrived at after making the adjustments referred to in note 2 above and on the basis of 1,120,000,000 Shares are in issue assuming that the Share Offer and the Capitalisation Issue have been completed on 30 September 2017. It does not take into account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or any Share which may be issued or repurchased by the Company pursuant to the Company's general mandates.

4. No adjustment have been made to the unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to the owner of the Company to reflect any trading result or other transactions of the Group entered into subsequent to 30 September 2017.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Mi Ming Mart Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Mi Ming Mart 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 combined net tangible assets as at 30 September 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 30 January 2018 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Share Offer on the Group's financial position as at 30 September 2017 as if the proposed Share Offer had taken place at 30 September 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for the three years ended 31 March 2017 and the six months ended 30 September 2017, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM 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.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular 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 30 September 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled 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 unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 30 January 2018

Set out below is a summary of certain provisions of the Memorandum of Association and the 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 4 November 2016 under the Cayman Companies Law. The Company's constitutional documents consist of its Memorandum and its Articles.

1. MEMORANDUM OF ASSOCIATION

- 1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- 1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 23 January 2018 and will become effective on the Listing Date. A summary of certain provisions of the Articles is set out below.

2.1 Shares

2.1.1 Classes of shares

The share capital of the Company consists of ordinary shares.

2.1.2 Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised

representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.1.3 Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

2.1.4 Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All

removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

2.1.5 Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

2.1.6 Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

2.1.7 Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 Directors

2.2.1 Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (a) resign;
- (b) dies;
- (c) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) he is prohibited from being or ceases to be a director by operation of law;
- (f) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (g) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (h) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

2.2.2 Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

2.2.3 Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

2.2.4 Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

2.2.5 Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

2.2.6 Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

2.2.7 Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

2.2.8 Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (a) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (e) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.2.9 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.4 Meetings of member*2.4.1 Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

2.4.2 Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (a) at least two members;
- (b) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (c) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

2.4.3 Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

2.4.4 Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

2.4.5 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

2.4.6 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.5 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.6 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- 2.6.1 all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- 2.6.2 all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- 2.6.3 the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (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 members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.7 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.8 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3.6 of this Appendix.

2.9 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:

2.9.1 if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

2.9.2 if the Company is wound up and the surplus assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.10 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 4 November 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- 3.2.1 paying distributions or dividends to members;
- 3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- 3.2.3 any manner provided in section 37 of the Cayman Companies Law;
- 3.2.4 writing-off the preliminary expenses of the company; and

3.2.5 writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 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 that:

- 3.10.1 no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- 3.10.2 no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (a) on or in respect of the shares, debentures or other obligations of the Company; or
 - (b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 24 January 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.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

3.15 Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 November 2016. Our Company has established a place of business in Hong Kong at Room 1622, 16th Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong, and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 16 January 2017. In connection with such registration, Ms. Mimi Yuen and Ms. Erica Yuen have been appointed as the authorised representatives of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the relevant laws and regulations of the Cayman Islands, Companies Law and its constitution, which comprises its Memorandum of Association and Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

2. Changes in authorised and issued share capital of our Company

- (a) Our Company was incorporated in the Cayman Islands on 4 November 2016 as an exempted company with limited liability under the Companies Law. At the time of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each, of which one Share was allotted and issued as fully paid to a subscriber. Subsequently on the same date, the subscriber transferred the said one Share to Prime Era.
- (b) On 23 January 2018, pursuant to the Reorganisation Agreement, our Company acquired all the issued shares of Rosy Horizon from Ms. Erica Yuen. In consideration thereof and at the instruction of Ms. Erica Yuen, our Company allotted and issued one Share, credited as fully paid, to Prime Era.
- (c) Pursuant to the written resolutions of the sole Shareholder passed on 23 January 2018, the authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of a further 1,962,000,000 Shares.
- (d) Immediately following the completion of the Share Offer and the Capitalisation Issue, without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK\$20,000,000 divided into 2,000,000,000 Shares, of which 1,120,000,000 Shares will be allotted and issued, fully paid or credited as fully paid and 880,000,000 Shares will remain unissued. Other than the Shares issuable pursuant to the exercise of any options which may fall to be granted under the Share Option Scheme, or the exercise of the general mandate referred to in “A. Further information about our Company and our subsidiaries – 3. Written resolutions of the sole Shareholder” in this Appendix, our Directors have no present intention to issue any part of the authorised but unissued capital of our Company, and without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

- (e) Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of the sole Shareholder

Pursuant to the written resolutions passed by the sole Shareholder on 23 January 2018, inter alia:

- (a) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of par value HK\$0.01 each by the creation of an additional 1,962,000,000 Shares of par value HK\$0.01 each, which shall, when issued and paid, rank *pari passu* in all respects with the Shares in issue at the date of passing of those resolutions (except entitlement to the capitalisation issue);
- (b) conditional on the conditions as set out in the section headed “Structure and conditions of the Share Offer” in this prospectus (“**Conditions**”):
 - (i) the Share Offer was approved and our Directors were authorised to (aa) allot and issue the Offer Shares to rank *pari passu* with the then existing Shares in all respects; (bb) implement the Share Offer and the listing of Shares on GEM; 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 having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, our Directors were authorised to capitalise an amount of up to HK\$8,399,999.98 standing to the credit of the share premium account of our Company and to apply such amount in paying up in full a total of up to 839,999,998 Shares for allotment and issue, credited as fully paid at par and rank *pari passu* in all respects with each other and the existing issued Shares (except entitlement to the Capitalisation Issue), to Prime Era, and our Directors were authorised to give effect to such capitalisation and distribution;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in “D. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

- (iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by our Shareholders in general meeting, Shares with an aggregate number not exceeding (1) 20% of the aggregate number of issued Shares of our Company immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and (2) the aggregate number of Shares repurchased under the Repurchase Mandate as defined in paragraph (v) below. Such mandate shall remain in effect until whichever is the earliest of:
 - (1) the conclusion of the next annual general meeting of our Company;
 - (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of the Cayman Islands; or
 - (3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;
- (v) the Repurchase Mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate number of issued shares of our Company immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:
 - (1) the conclusion of the next annual general meeting of our Company;
 - (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of the Cayman Islands; or
 - (3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;

- (vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the aggregate number of shares of our Company which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of the aggregate number of issued shares of our Company repurchased by our Company pursuant to the Repurchase Mandate referred to in paragraph (v) above provided that such extended amount shall not exceed 10% of the aggregate number of issued Shares of our Company immediately following the completion of the Share Offer and the Capitalisation Issue excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme; and
- (vii) our Company approved and adopted the Memorandum of Association and Articles of Association, conditionally upon fulfillment of the Conditions and with effect on the Listing Date.

4. Reorganisation

The companies comprising our Group underwent a Reorganisation in preparation for the Listing, details of which are set out in the paragraph headed “History, reorganisation and corporate structure – reorganisation” in this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

Diagrams showing our Group structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Share Offer (assuming that no Share has been allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) are set out in the paragraph headed “History, reorganisation and corporate structure – reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries

Our Company’s subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the paragraph headed “History, reorganisation and corporate structure – corporate development”, there was no change in the share capital of the major subsidiaries of our Company during the two years preceding the date of this prospectus.

Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the sole Shareholder on 23 January 2018, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase the Shares as described above in the paragraph headed "3. Written resolutions of the sole Shareholder" in this Appendix.

(ii) Source of funds

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Articles of Association and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company, out of the share premium account of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of either or both of the profits of our Company or the share premium accounts of our Company, before or at the time the shares are repurchased or, if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(iii) Trading restrictions

A company is authorised to repurchase on the GEM or on any other stock exchange recognised by the SFC in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate number of shares in issue 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 GEM 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. A company is also prohibited from making securities repurchase on the GEM if the result of the repurchases 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 purchase its shares on the GEM 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 GEM.

(iv) Status of repurchased securities

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled upon the repurchase and the relevant certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares if not held by the company as treasury 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.

(v) Suspension of repurchase

A listed company shall not make any repurchase of securities at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) 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 (ii) 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 GEM other than in exceptional circumstances and provided that a waiver on all or any of the restrictions under the GEM Listing Rules has been granted by the Stock Exchange. In addition, the Stock Exchange may prohibit repurchases of securities on the GEM if a company has breached the GEM Listing Rules.

(vi) Reporting requirements

Repurchases of securities on the GEM 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 trading 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 the 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.

(vii) Core connected persons

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a core connected person (as defined in the GEM Listing Rules) and a core connected person shall not knowingly sell his shares to the company.

(b) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 1,120,000,000 Shares in issue immediately after Listing, could accordingly result in up to 112,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(c) *Reasons for repurchases*

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(d) *Funding of repurchases*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Articles of Association and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, our Memorandum and Articles and the applicable laws of the Cayman Islands.

No core connected person of our Company 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, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) the Reorganisation Agreement;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-Competition; and
- (d) 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 in Hong Kong which are material to our Group's business:

Trademark	Place of registration	Registration number(s)	Registrant	Class ^(Note 2)	Expiry date
	Hong Kong	303265029	Inwell	16, 35, 38	12 January 2025
	Macau	106016	Inwell	16	13 June 2023
	Macau	106017	Inwell	35	13 June 2023
	Macau	106018	Inwell	38	13 June 2023
	Taiwan	01799535	Inwell	16, 35, 38	15 October 2026
	Hong Kong	303265047	Inwell	16, 35, 38	12 January 2025
	PRC	17077076	Inwell	16	20 August 2026
	PRC	17077262	Inwell	35	27 July 2026
	PRC	17079191	Inwell	38	20 August 2026
	Macau	106013	Inwell	16	12 May 2023
	Macau	106014	Inwell	35	12 May 2023
	Macau	106015	Inwell	38	12 May 2023
	MI MING MART	Hong Kong	303902689	16, 35, 38	13 September 2026
	Hong Kong	303960045	Inwell	16, 35, 38	10 November 2026

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks, the registration of which has not yet been granted:

Trademark	Class	Application Number	Application Date	Place of Application	Applicant
	16, 35, 38	304311873	24 October 2017	Hong Kong	Inwell

Note: Class 16: Advertising paper; advertising paperboards; advertising periodicals; advertising publications; albums; albums for photographs; annual reports printed matters; birthday cards; books; boxes of cardboard or paper; brochures; business cards; cards; catalogues; certificates; directories; document files; circulars; coupons; course materials; cover paper; daily calendars; diaries; digests; event albums; gift boxes; gift cards; goods made from cardboard; goods made from paper; greeting cards; information books; instruction books; instruction manuals; invoices; invitation cards; magazines; manuals handbooks; marketing brochures; marketing materials in printed form; name cards; newsletters; packaging bags; packaging boxes of paper, card or cardboard; packing label; printing letters; pictures; plastic bags for packaging; promotional publications; receipts; souvenir booklets; all included in Class 16.

Class 35: Advertising services in relation to cosmetics, perfumery and toiletries; retail and wholesale services in relation to cosmetics, perfumery and toiletries; distributorship of cosmetics, perfumery and toiletries; import and export of cosmetics, perfumery and toiletries; advertising services via the Internet; agency services for distribution of samples and advertising materials; agency services for export and import services; arranging and conducting exhibitions for advertising, commercial or trade purposes; business advice relating to cosmetics, perfumery and toiletries; business consultancy services; business information services; cost analysis; demonstration of goods; market analysis; market research; provision of information about sale of goods; all included in Class 35.

Class 38: Internet and Intranet communications services; Internet broadcasting; audio and video broadcasting via the Internet; communication by electronic means; communication by electronic networks; communication via telephones; communication via the Internet; delivery of information by electronic means; digital broadcasting services; digital communications services; digital messaging services; electronic mail; electronic mail communication; on-line and Internet communications; online broadcasting services via a global computer network; all included in Class 38.

(b) *Domain name*

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Registrant	Date of registration	Expiry date
mimingmart.com	Inwell	15 March 2009	15 March 2025
inwell-intl.com	Inwell	12 July 2017	12 July 2020
mimingmart.com.cn	Inwell	14 July 2017	14 July 2019

Information contained in the above websites do not form part of this prospectus.

Save as disclosed herein, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are or may be material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF**1. Directors***(a) Disclosure of interests of Directors*

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules, will be as follows:

(i) Long position in the Shares

Name of Director(s)	Capacity	Number and class of securities	Percentage of shareholding
Ms. Erica Yuen ^(Note 1)	Interest in a controlled corporation	840,000,000 Shares	75.0%
Mr. Lam Yue Yeung Anthony ^(Note 2)	Interest of spouse	840,000,000 Shares	75.0%

Note 1: These Shares are registered in the name of Prime Era, a company which is wholly owned by Ms. Erica Yuen. Under the SFO, Ms. Erica Yuen is deemed to be interested in all the Shares registered in the name of Prime Era.

Note 2: These Shares represent the Shares held indirectly by Ms. Erica Yuen, the spouse of Mr. Lam Yue Yeung, Anthony, as ultimate beneficial owner.

(ii) Long position in the ordinary shares of associated corporation

Name of Director(s)	Name of associated corporation	Capacity/ Nature	No. of share(s) held	Percentage of interest
Ms. Erica Yuen	Prime Era	Beneficial owner	1	100%

(b) Particulars of service contracts

Each of Ms. Erica Yuen and Ms. Mimi Yuen, our executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party. Commencing from the Listing Date, each of our executive Directors is entitled to an annual salary set out below, such salary to be reviewed annually by our Board and the remuneration committee of our Company.

In addition, each of our executive Directors may be entitled to, if so recommended by the remuneration committee of our Company and approved by the Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of the executive Director, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, discretionary bonus and other benefits payable to him. The basic annual salary of our executive Directors under the service contracts are as follows:

Name	Amount
Ms. Erica Yuen	HK\$1,950,000
Ms. Mimi Yuen	HK\$1,950,000

Each of Mr. Lam Yue Yeung Anthony, and Mr. Cheung Siu Hon Ronald, being our non-executive Directors, and each of Ms. Chan Sze Lai Celine, Ms. Shum Wai Sze and Ms. Tsang Wing Yee, being our independent non-executive Directors, has entered into a service contract or letter of appointment with our Company for an initial term of service commencing from the Listing Date and shall continue thereafter subject to a maximum of three years unless terminated by either party giving not less than one month's notice in writing. Commencing from the Listing Date, the non-executive Directors and the independent non-executive Directors are entitled to an annual director's fee as set out below:

Name	Amount
Mr. Lam Yue Yeung Anthony	HK\$120,000
Mr. Cheung Siu Hon Ronald	HK\$120,000
Ms. Chan Sze Lai Celine	HK\$120,000
Ms. Shum Wai Sze	HK\$120,000
Ms. Tsang Wing Yee	HK\$180,000

Save as disclosed above, none of our Directors has or is proposed to enter into a service contract or letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

Our Company's policies concerning remuneration of executive Directors are:

- (i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;
- (ii) non-cash benefits may be provided to our Directors under their remuneration package; and
- (iii) our executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of the remuneration package.

An aggregate sum of approximately HK\$2.9 million, HK\$2.8 million, HK\$3.4 million and HK\$1.8 million was paid to our Directors as remuneration and benefits in kind in their capacity as Directors by our Group for the three years ended 31 March 2017 and for the six months ended 30 September 2017, respectively. Further information in respect of our Directors' remuneration is set out in note 9 to the accountants' report in Appendix I to this prospectus.

An aggregate sum of approximately HK\$4.1 million will be paid to our Directors as remuneration and benefits in kind by our Group for the year ending 31 March 2018 under the arrangements in force at the date of this prospectus excluding management bonus.

2. Substantial shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be taken up under the Share Offer or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the following persons or entities (not being our Directors or chief executive of our Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Long positions in Shares, underlying Shares and debentures

Name	Capacity	Number of class of securities	Percentage of shareholding
Prime Era	Beneficial owner	840,000,000 Shares	75.0%

3. Related party transactions

Our Group entered into the related party transactions during the Track Record Period as mentioned in notes 22 and 26 of the Accountants' Report set out in Appendix I to this prospectus.

4. Disclaimers

Save as disclosed in this Appendix and the section headed "Substantial Shareholders" in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of and any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Share Offer will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either 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 the general meetings of our Company or any other members of our Group;
- (b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered

in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;

- (c) none of our Directors nor the experts named in “E. Other information – 7. Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue 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;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and
- (e) none of the experts named in “E. Other information – 7. Qualifications 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.

D. SHARE OPTION SCHEME

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the Shareholders on 23 January 2018.

For the purpose of this section, unless the content otherwise requires:

“Allotment Date”	means the date on which Shares are allotted and issued to a participant pursuant to the exercise of rights attaching to an option granted and exercised under the Share Option Scheme;
“Board”	means our board of Directors from time to time or a duly authorised committee thereof;
“Eligible Person(s)”	means, among others, any full-time or part-time employee(s) of our Company or any member of our Group, including any executive, non-executive director(s) and independent non-executive director(s), advisor(s), consultant(s) of our Company or any of our subsidiaries;
“Exercise Price”	means the exercise price for any Share under the Share Option Scheme determined by the Board;
“Option(s)”	means an option(s) to subscribe for Shares granted pursuant to the Share Option Scheme;

“Option Period”	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant which the Board may in its absolute discretion determine, save that such period shall not be more than 10 years;
“Other Schemes”	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
“Participant(s)”	means any Eligible Person(s) who accept(s) or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
“Shareholders”	means shareholders of our Company from time to time;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of the GEM Listing Rules) of our Company, whether incorporated in Hong Kong or elsewhere; and
“Trading Day”	means a day on which trading of Shares take place on the Stock Exchange.

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables our Company to grant Options to Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Who may join

Our Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than five business days from the date on which the Option is granted.

(c) Grant of Option

Any grant of Options must not be made after inside information has come to our Company's knowledge until we have announced the information in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is 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, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and (b) the deadline for our Company to publish an announcement of its results for

any year, half-year, quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a result announcement.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, our Company may make a further grant of Options to such Participant (the “**Further Grant**”) notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to our Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the GEM Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders’ meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the Exercise Price.

(d) Price of Shares

The Exercise Price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share.

For the purpose of calculating the Exercise Price, in the event that on the date of grant, our Company has been listed for less than five Trading Days, the Offer Price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) Maximum number of Shares

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”) unless approved by the Shareholders pursuant to the terms of the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme or Other Schemes will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 1,120,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 112,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

- (ii) Subject to the approval of Shareholders in general meeting, our Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to our Shareholders containing the information from time to time required by the GEM Listing Rules.
- (iii) Subject to the terms of the Share Option Scheme and the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to our Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such relevant information from time to time required by the GEM Listing Rules.
- (iv) Notwithstanding the foregoing, our Company may not grant any Options if the 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 Other Schemes in aggregate exceeds 30% of the Shares in issue from time to time.
- (v) The exercise of any Option shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of shares upon exercise of Options.

(f) *Time of exercise of Option*

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the applicable option period, provided that, among others, the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

(g) *Rights are personal to grantee*

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

(h) Rights on death

Subject to the terms of the Share Option Scheme, if a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options up to the Participant's entitlement (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death or such longer period as the Board may determine, failing which such Options will lapse.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to the Options so far as unexercised, and/or the Exercise Price, and/or the method of exercise of the Options, and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must give a Participant the same proportion of the equity capital as that to which that Participant was previously entitled and shall be made on the basis that the aggregate Exercise Price payable by a Participant on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than their nominal value and, unless with the prior approval of the Shareholders in general meeting, no such adjustments may be made to the advantage of the Participant. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser appointed by our Company or the auditors of our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

(j) Rights on take-over

If a general offer (whether by way of takeover offer as defined in the Takeovers Code or scheme of arrangement or otherwise in like manner) has been made to all our Shareholders (other than the offeror and/or any persons controlled by the offeror and/or any person acting in concert with the offeror) to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, "acting in concert" shall have the meaning ascribed to it under the Takeovers Code as amended from time to time.

(k) Rights on a compromise or arrangement

- (i) In the event of a notice given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the Participants and the Participants may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our Company's Share registers) prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our Company's Share registers) immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise.
- (ii) In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 10.18(3) of the GEM Listing Rules), our Company shall give notice thereof to all Participants on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the Participants may, by notice in writing to our Company accompanied by the remittance for the total Exercise Price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise credited as fully paid and registered the Participants as holders thereof.

(l) Lapse of Option

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) subject to paragraphs (f), (h), (j), (k) and (p) and the terms of the Share Option Scheme, the expiry of the Option Period of the Option;
- (iii) subject to paragraph (k)(i), the date of commencement of the winding-up of our Company;

- (iv) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (k)(ii);
- (v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;
- (vi) the happening of any of the following events, unless otherwise waived by our Board:
 - (1) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Participant (being a corporation); or
 - (2) the Participant (being a corporation) has ceased or suspended payment of its debts or otherwise become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with its creditors generally; or
 - (3) there is unsatisfied judgment, order or award outstanding against the Participant or our Company has reason to believe that the Participant is unable to pay or has no reasonable prospect of being able to pay his/her/its debts; or
 - (4) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in sub-paragraphs (1), (2) and (3) above; or
 - (5) a bankruptcy order has been made against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
 - (6) a petition for bankruptcy has been presented against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
- (vii) the date on which a situation as contemplated under paragraph (g) arises;
- (viii) the date the Participant commits any breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by our Board; or

- (ix) the date on which our Board resolves that the Participant has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed in accordance with the terms of the Share Option Scheme.

(m) Ranking of Shares

Shares allotted and issued upon the exercise of an Option will be subject to the provisions of our Memorandum and Articles of Association in force as at the Allotment Date and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the Allotment Date and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the Allotment Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the Allotment Date. Any Share allotted upon the exercise of the Option shall not carry voting rights until the name of the Participant has been duly entered into the register of members of the Company as the holder thereof.

(n) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the Participant concerned in writing.

In the event that our Board elects to cancel any Options and issue new ones to the same Participant, the issue of such new Options may only be made with available unissued Shares in the authorised share capital of our Company and available ungranted Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(o) Period of Share Option Scheme

The Share Option Scheme will be valid and effective for a period of 10 years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(p) Alteration to and termination of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board, except that the provisions of the Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules (or any other relevant provisions of the GEM Listing Rules from time to time applicable) shall not be altered to the advantage of the Participants or prospective Participants without the prior approval of our Shareholders in general meeting (with the Eligible Persons, the Participants and their respective close associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such majority of the Participants as would be required by our Shareholders under our Memorandum and Articles of Association for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature shall first be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting or the Board may, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event, no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to our Shareholders seeking approval for the first new scheme to be established after such termination.

(q) Granting of Options to a director, chief executive or substantial shareholder of our Company or any of their respective associates

Where Options are proposed to be granted to a director, chief executive or substantial shareholder of our Company or any of their respective associates, the proposed grant must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Participant).

If a grant of Options to a substantial shareholder of our Company or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK\$5 million, then the proposed grant of Options must be approved by our Shareholders on a poll in a general meeting. The Participant, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Our Company will send a circular to our Shareholders containing the information required under the GEM Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to a Participant who is a substantial shareholder of our Company, an independent non-executive Director or any of their respective associates.

The circular must contain the following:

- (i) details of the number and terms of the Options (including the Exercise Price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the Exercise Price;

- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed Participant) to independent Shareholders, as to voting; and

- (iii) all the information as required by the GEM Listing Rules from time to time.

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the GEM Listing Rules) of our Company set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive of our Company.

(r) Conditions of Share Option Scheme

The Share Option Scheme is conditional on (i) the passing of a resolution to adopt the Share Option Scheme by our Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued and allotted pursuant to the exercise of Options.

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options that may be granted under Share Option Scheme.

(s) Present status of the Share Option Scheme

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

The terms of the Share Option Scheme are in compliance with Chapter 23 of the GEM Listing Rules.

E. OTHER INFORMATION

1. Tax and other indemnities

Each of our Controlling Shareholders (collectively, the “**Indemnifiers**”) has entered into the Deed of Indemnity (being the material contract referred to in “B. Further information about the business of our Group – 1. Summary of material contracts – (b) the Deed of Indemnity” in this Appendix) in favour of our Company (for itself and as trustee for each of its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any taxation (which includes estate duty) or taxation claim in whatever part of the world which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or up to the date on which the conditions stated in the paragraph headed “Structure and conditions of the Share Offer – the structure of the Share Offer – conditions of the Share Offer” in this prospectus being

fulfilled (the “**Effective Date**”) or arising from the reorganisation of our Group described in the paragraph headed “History, Reorganisation and corporate structure – reorganisation” in this prospectus on or before the Effective Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation or taxation claim is chargeable against or attributable to any other person, firm or company, save to the extent that:

- (i) provision or reserve has been made for such taxation in the audited accounts of our Group for the three years ended 31 March 2017 and the six months ended 30 September 2017 (the “**Accounts**”) as set out in Appendix I to this prospectus and to the extent that such taxation is incurred or accrued since 1 October 2017 which arises in the ordinary course of business of our Group as described in the section headed “Business” in this prospectus;
 - (ii) such taxation or taxation claim falls on any member of our Group in respect of its accounting period commencing on or after 1 October 2017 unless such taxation or liability would not have arisen but for some act or omission of, or delay by, or transactions voluntarily effected by, the Indemnifiers, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets or pursuant to a legally binding commitment created before the Effective Date;
 - (iii) such taxation claim or liability for such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by the relevant member of our Group after the date of the Deed of Indemnity;
 - (iv) such taxation claim or liability for such taxation arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or the taxation authority of the PRC or any other relevant authority (whether in Hong Kong or the PRC, or the Cayman Islands, or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or
 - (v) any provisions or reserve made for taxation in the Accounts and which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers’ liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the Deed of Indemnity to reduce the Indemnifiers’ liability in respect of taxation shall not be available in respect of any such liability arising thereafter;
- (b) any damages, losses, liabilities, claims, fines, penalties, orders, costs (including all legal costs) and expenses, or loss of profits, benefits which are or become payable or suffered by any member of our Group directly or indirectly as a result of and in connection with the incidents referred to in the paragraph headed “Business – Non-compliance” in this prospectus; and

- (c) all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by any Group companies in respect of or arising directly or indirectly from or on the basis of or in connection with any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted or threatened against any Group companies and/or any act, non-performance, omission or otherwise of any Group companies accrued or arising on or before the Effective Date. Without prejudice to the generality of the aforesaid, the Controlling Shareholders also undertake, jointly and severally, unconditionally and irrevocably, to indemnify our Group for, among others, all losses, costs and damages which had been incurred or may be incurred by our Group by reason of the legal proceedings between Inwell and a law firm in Hong Kong (DCCJ 290 of 2017 and HCMP No. 353 of 2017) and the claims thereunder including but not limited to any legal fees that may be found outstanding under the bill of the law firm, after taxation, and costs.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands or the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

2. Litigation

Save as disclosed in the paragraph headed “Business – litigation” in this prospectus, neither our Company nor any of our subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened by or against our Company or any of our subsidiaries, that would have a material adverse effect on our Group’s results of operations or financial condition.

3. Sole Sponsor

Our Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of any options which may be granted under the Share Option Scheme.

4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Kingston Corporate Finance Limited as compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

5. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately US\$4,300 and are payable by our Company.

6. Promoter

Our Company has no promoter.

7. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
Kingston Corporate Finance Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
TC & Co.	Legal advisers to our Company as to Hong Kong law
Poon Jackson Chin Ping	Barrister-at-law in Hong Kong
DeHeng Law Offices (Shenzhen)	Legal advisers to our Company as to PRC law
Appleby	Legal advisers to our Company as to Cayman Islands law
Frost & Sullivan	Industry consultant

8. Consents of experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or summaries thereof (as the case may be) and the references to its name included in this prospectus in the form and context in which it respectively appears.

9. Sole Sponsor's fees

Our Sole Sponsor will be paid by our Company a total fee of HK\$4.5 million to act as sponsor to our Company in connection with the Listing.

10. 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.

11. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of Listing:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company.
- (b) 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.
- (c) No founder, management or deferred shares of our Company or any of our subsidiaries has been issued or agreed to be issued.
- (d) Our Directors confirm that, up to the date of this prospectus, save as disclosed in the paragraph headed “Summary – recent developments of our group subsequent to the Track Record Period” in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up), and there had been no event since 31 March 2017 which would materially affect the information as shown in the accountants’ report set out in Appendix I to this prospectus.
- (e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.
- (f) None of Kingston Corporate Finance Limited, Deloitte Touche Tohmatsu, TC & Co., Poon Jackson Chin Ping, DeHeng Law Offices (Shenzhen), Appleby and Frost & Sullivan:
 - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

- (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.
- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (h) Our Company has no outstanding convertible debt securities.
- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (j) There are no arrangements under which future dividends are waived or agreed to be waived.

12. Bilingual Prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Taxation of holders of Shares

(a) *Hong Kong*

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

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in the paragraph headed “E. Other information – 8. consents of experts” in Appendix IV to this prospectus, the statement of adjustments referred to in the paragraph below headed “Documents available for inspection” and copies of the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of TC & Co. of Units 2201-3, 22nd Floor, Tai Tung Building, 8 Fleming Road, Wanchai, 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 of Association and the Articles of Association;
2. the accountants’ report on historical financial information of our Group for each of the three years ended 31 March 2017 and for the six months ended 30 September 2017 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
3. the statement of adjustments for the entities comprising our Group for each of the years ended 31 March 2015 and 2017 and for the six months ended 30 September 2017;
4. the accountants’ report on the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
5. the legal opinion prepared by TC & Co., the legal advisers to our Company as to Hong Kong law, in respect of certain aspects of our Group;
6. the legal opinion prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
7. the Companies Law;
8. copies of material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. summary of material contracts” in Appendix IV to this prospectus;
9. the written consents referred to the paragraph headed “E. Other information – 8. consents of experts” in Appendix IV to this prospectus;
10. the Share Option Scheme;
11. the F&S Report;
12. the counsel’s opinion issued by Mr. Poon Jackson Chin Ping; and
13. the legal opinion prepared by DeHeng Law Offices (Shenzhen), the legal advisers to our Company as to PRC law.

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MI MING MART HOLDINGS LIMITED
彌明生活百貨控股有限公司