

澳至尊

AUSUPREME

Ausupreme International Holdings Limited 澳至尊國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)



GLOBAL OFFERING

Stock Code: 2031

Sponsor

AmCap

Ample Capital Limited

豐盛融資有限公司

Sole Global Coordinator

AmCap

Ample Orient Capital Limited

Joint Bookrunners and Joint Lead Managers

AmCap

Ample Orient Capital Limited



GREAT ROC
CAPITAL SECURITIES LIMITED
鴻勝資本證券有限公司

平安證券有限公司
Ping An Securities Limited

IMPORTANT

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

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	187,500,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	18,760,000 Shares (subject to reallocation and including 1,876,000 Employee Reserved Shares)
Number of International Placing Shares	:	168,740,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	Not more than HK\$1.20 per Offer Share and expected to be not less than HK\$0.80 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value	:	HK\$0.01 per Share
Stock Code	:	2031

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GREAT ROC
CAPITAL SECURITIES LIMITED
鴻韻資本證券有限公司

平安證券有限公司
Ping An Securities Limited

Co-Managers

Astrum Capital Management Limited

Celestial Capital Limited

China-Hong Kong Link Securities
Company Limited

Convoy Investment Services Limited

Gransing Securities Co., Limited

Guotai Junan Securities (Hong Kong) Limited

Opus Capital Limited

Oriental Patron Securities Limited

Orient Securities (Hong Kong) Limited

Pacific Foundation Securities Limited

Quam Securities Company Limited

SBI China Capital Financial Services Limited

Sun International Securities Limited

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 "A. 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 fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 3 August 2016 or such other date or time as may be agreed between our Company and the Sole Global Coordinator, for itself and on behalf of the Underwriters. The Offer Price will be not more than HK\$1.20 and is currently expected to be not less than HK\$0.80 unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.20 for each Offer Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK\$1.20.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Hong Kong Offer Shares in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$0.80 to HK\$1.20 per Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares in the Global Offering and/or the indicative offer price range will be published in the Standard (in English) and the Hong Kong Economic Journal and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, if for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the Company, the Global Offering (including the Hong Kong Public Offering) will lapse and will not proceed. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting arrangements and expenses — The Hong Kong Public Offering — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

28 July 2016

EXPECTED TIMETABLE

(Note 1)

Application Forms are available at 9:00 a.m. on Thursday, 28 July 2016

Latest time for lodging **PINK** Application Forms at
our Company's office at Office E, 28/F,
EGL Tower, 83 Hung To Road,
Kwun Tong, Kowloon, Hong Kong 12:00 noon on Monday, 1 August 2016

Latest time to complete electronic applications under
the **HK eIPO White Form** service through the
designated website at **www.hkeipo.hk**⁽²⁾ 11:30 a.m. on Tuesday, 2 August 2016

Application lists open⁽³⁾ 11:45 a.m. on Tuesday, 2 August 2016

Latest time for lodging **WHITE** and **YELLOW**
Application Forms and giving **electronic**
application instructions to HKSCC⁽⁴⁾ 12:00 noon on Tuesday, 2 August 2016

Latest time to complete payment of **HK eIPO**
White Form applications by effecting
internet banking transfers(s) or PPS
payment transfer(s) 12:00 noon on Tuesday, 2 August 2016

Application lists of the Hong Kong Public
Offering close⁽³⁾ 12:00 noon on Tuesday, 2 August 2016

Expected Price Determination Date⁽⁵⁾ Wednesday, 3 August 2016

Announcement of (i) the final Offer Price; (ii) the levels of indication
of interest in the International Placing; (iii) the level of applications
in respect of the Hong Kong Public Offering and the Employee
Preferential Offering; and (iv) the basis of allotment of the under
the Hong Kong Public Offering and the Employee Preferential Offering
to be published on the website of our Company
at **www.ausupreme.com**⁽⁶⁾ and on the website of
the Stock Exchange at **www.hkexnews.hk** and
in the Standard (in English) and the Hong Kong Economic Journal
and the Hong Kong Economic Times (in Chinese) Monday, 8 August 2016

Announcement of results of allocations in the Hong Kong Public Offering
and the Employee Preferential Offering
(with successful applicants' identification
document numbers, where appropriate) to be available
through a variety of channels including our website at
www.ausupreme.com and website of the Stock Exchange
at **www.hkexnews.hk** (for further details, please see
the section headed "How to Apply for Hong Kong Offer Shares
and Employee Reserved Shares") from Monday, 8 August 2016

EXPECTED TIMETABLE

Results of allocations in the Hong Kong Public Offering and the Employee Preferential Offering to be available at www.tricor.com.hk/ipo/result with a “search by ID Number/Business Registration Number” function from Monday, 8 August 2016

Despatch/Collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful Applications pursuant to the Hong Kong Public Offering and the Employee Preferential Offering on or before⁽⁷⁾ Monday, 8 August 2016

Despatch/Collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and the Employee Preferential Offering on or before⁽⁸⁾ Monday, 8 August 2016

Dealings in Shares on the Main Board of the Stock Exchange expected to commence at 9:00 a.m. on Tuesday, 9 August 2016

Notes:

- (1) *All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of our Company at www.ausupreme.com and the website of the Stock Exchange at www.hkexnews.hk.*
- (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 an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.*
- (3) *If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 8 August 2016, the application lists will not open or close on that day. Please refer to the section headed “How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Monday, 8 August 2016, the dates mentioned in this section headed “Expected Timetable” may be affected. We will make a press announcement in such event.*
- (4) *Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should see the section headed “How to Apply for Hong Kong Offer Shares and Employee Reserved 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 final Offer Price is to be determined, is expected to be on or about Monday, 8 August 2016. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse immediately.*
- (6) *None of the website or any information contained on the website forms part of this prospectus.*

EXPECTED TIMETABLE

- (7) *Eligible Employees who apply for 1,000,000 Employee Reserved Shares or more under the Employee Preferential Offering or applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required in their Application Forms that they may collect Share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong 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 Monday, 8 August 2016 or any other date notified by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Eligible Employees who apply for 1,000,000 Employee Reserved Shares or more under the Employee Preferential Offering or applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.*

Applicants who have applied on YELLOW Application Forms may collect their refund cheque (if applicable) in person but may not collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

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

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

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering, the Employee Preferential Offering, the Hong Kong Offer Shares and the Employee Reserved Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares and the Employee Reserved Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sponsor, Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document 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.

OVERVIEW

We are a Hong Kong-based brand builder and retailer of health and personal care products focusing on the developing, marketing, selling and distributing of the branded products managed by us through our “澳至尊” sales and distribution network. Our health and personal care products can be broadly classified by nature into three major types: (i) health supplement products; (ii) honey and pollen products; and (iii) personal care products.

Our Directors are of the view that our success is attributed to the brand image which “澳至尊” associates with. Our consumers purchase health and personal care products from us because of their confidence in our proprietary “澳至尊” brand. Our Group has successfully invoked the core value and focus of “澳至尊” — quality health and personal care products vastly sourced from Australia with active ingredients from extracts of natural resources to our consumers.

We have so far developed and managed mainly three brands, namely “Organic Nature”, “Top Life” and “Superbee”, the products of which are sourced from our three Australian brand proprietors and are sold under our well-established multi-channel “澳至尊” sales and distribution network including retail sales at our self-operated specialty stores in Hong Kong and Macau, consignment sales (including counter sales and shelf product sales) at the consignee stores in Hong Kong and Macau, wholesale sales to individual and chain retailers, online shopping platforms in China, online sales through our own website and sales in Singapore via an exclusive distributor. We also sell our products in exhibitions and trade fairs.

The following table sets forth the breakdown of our Group of revenue by types of product:

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Health supplement	187,781	96.1	213,661	94.6	197,373	93.6
Honey and pollen	4,158	2.1	6,223	2.8	7,203	3.4
Personal care	3,522	1.8	5,904	2.6	6,264	3.0
Total	<u>195,461</u>	<u>100</u>	<u>225,788</u>	<u>100</u>	<u>210,840</u>	<u>100</u>

A majority of our sales was made through consignment stores during the Track Record Period. The following table sets forth a breakdown of our revenue by sales channels for the Track Record Period:

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Specialty stores	15,920	8.1	34,425	15.2	33,806	16.0
Consignment stores	174,155	89.1	176,806	78.3	159,110	75.5
Other sales channels	5,386	2.8	14,557	6.5	17,924	8.5
Total	<u>195,461</u>	<u>100</u>	<u>225,788</u>	<u>100</u>	<u>210,840</u>	<u>100</u>

Note: Other sales channels include online sales at our website, online shopping platforms in China, distribution in Singapore by exclusive distributor and sales at trade fairs and exhibitions.

SUMMARY

OUR BUSINESS MODEL

We select and source our health and personal care products vastly from our suppliers in Australia and focus on essentially all after-production services of our products including brand management and development, sales and marketing, analysis of consumer preferences, development of sales networks and delivery of products.

1) Identifying potential brand proprietors and products by evaluating the product quality and potential and production facilities of the brand proprietors

Our Group adopted a stringent approach to select and source potential brand proprietors and brands by (i) conducting a preliminary assessment on the brand proprietors' credentials to ascertain their background, production facilities and goodwill and estimate the projected sales of a particular product manufactured and/or supplied by them; (ii) obtaining ingredient information and product specifications on the products which the brand proprietors intend our Group to distribute to ensure the products are of industry standards and the ingredients meet the requirements under the relevant laws and regulations; and (iii) conducting market survey and researches in Hong Kong, in order to gather more updated information on, inter alia, consumer preferences on the kind of products, and the quality and safety of the products manufactured and distributed by the potential brand proprietors.

2) Entering into exclusive distribution agreements with brand proprietors

After preliminarily assessing the brand proprietors' credentials, reviewing the ingredient information and product specifications as well as conducting the market survey and researches, our Directors would select the brand proprietor, the relevant brand and the product(s) to be managed and developed by us after balancing and considering all the factors. We would then enter into exclusive distribution agreements with the brand proprietors. During the Track Record Period, we entered into exclusive distribution agreements with a total of three brand proprietors, which are also our suppliers. For more details on the exclusive distribution agreements, please refer to the section headed "Business — Suppliers — Principal terms of our major supply agreements" in this prospectus.

3) Promotion and marketing activities

Our sales and marketing department is responsible for conducting market research, media planning, formulating marketing strategies and promoting our brands and products, while our compliance team is responsible for the review of our product description and promotional materials.

Our Group has developed the brands under our brand proprietors by engaging in various advertising and promotion activities including media advertising, trade fairs and exhibitions, engaging spokespersons, store display and in-store marketing, maintaining a membership system and carrying out joint promotions with business partners.

4) Procuring and specifying packaging and product design

While promotion and marketing activities are carried out continuously on our brand image of “澳至尊”, our Group procures products from our brand proprietors within the selected products list stated in the exclusive distribution agreements. For new products from our existing suppliers, our quality control team will obtain the ingredient information and product specifications from the suppliers to ensure the products are of industry standards and the ingredients meet the requirements under the relevant laws and regulations, before we place purchase orders for the products. The packaging and design of the products will be reviewed internally by our compliance team to ensure they comply with the rules and regulations of the regions in which the products are sold.

SUMMARY

5) Product production, packaging, quality control and delivery by brand proprietors

Once the design and packaging of the products have been agreed on, our suppliers will produce and package the products. Quality control team will take product samples from our suppliers for ingredients examination through an external laboratory in Hong Kong to ensure the quality and safety of our products comply with all the relevant rules and regulations in Hong Kong and other relevant jurisdictions. Routine checking on all the products purchased and delivered to us will also be performed. Our suppliers also conduct quality control to ensure the products meet the relevant standards such as GMP or HACCP prior to delivery.

6) Product delivery to our sales channels, inventory storage and delivery arrangement

Our Group rented a warehouse in Hong Kong for inventory storage during the Track Record Period. Our products are first delivered to our warehouse from our suppliers and our Group arranges the delivery of the products to our wholesalers, sales counters of our consignee retail stores and our specialty stores in Hong Kong and Macau. We adopt the policy to maintain an optimum inventory level of each kind of product depending on the relevant sales estimate to ensure that there is sufficient inventory for our sales without over-stocking. We have a fully integrated electronic ERP system, which enables the inventory of any particular item to be updated on real time basis to maintain what we consider to be an optimum level of inventory. Useful information such as the sales performance of any individual product at any of our specialty stores can be extracted from the system. We generally perform physical stock take at our warehouse, specialty stores and consignee retail stores on a quarterly basis.

7) Expanding sales channels of the products

To maintain our competitive edge and improve our sales coverage, our Group continues to develop and expand our multi-channel “澳至尊” sales and distribution networks which as at the Latest Practicable Date, comprises our specialty stores, sales counters and shelf space at consignee retail stores, online sales at our own website, our online shopping platforms in China and distributor in Singapore. A majority of our sales was made through consignment stores during the Track Record Period.

8) Sales support and customer services

We believe that through effective communication between our sales promoters and customers, we are able to promote our products, enhance our brand image, and also acquire a better understanding of the needs and preferences of our customers. Our specialty stores are Quality Tourism Service Scheme-accredited stores and maintain a quality assurance policy. We assure the quality of our products and our customers can refund or exchange the products within fourteen days after purchase if the products sold are found defective. For products which are sold via consignee stores, consignee stores' policy for refund and product exchange matter will be followed.

OUR PRODUCTS

We offer a wide selection of over 61 health supplement products under the “Organic Nature” and “Top Life” brands, 21 honey and pollen products under the “Superbee” brand, and 11 personal care products under the “Organic Nature”, “Top Life” and “Golden Hive” brands as at the Latest Practicable Date.

SUMMARY

Health Supplement Products

Our health supplement products generally take the forms of pills, tablets, soft capsules or liquid for oral intake and target health conscious customers. The active ingredients of most of our major health supplement products are primarily extracts from natural resources such as fruits or other parts of plants and animals. They generally have a shelf life of 18 months to three years from the date of production.

Our health supplement products are not classified as medicine, pharmaceutical products or Chinese medicine and do not require registration under the Chinese Medicine Ordinance (Chapter 547 of the Laws of Hong Kong) or the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong).

Our health supplement products are generally sold under the “Organic Nature” and “Top Life” brands. Some of the health supplement products under the “Organic Nature” brand are marketed and packaged together with the Chinese characters “澳至尊” labeling as the flagship products under our own branded sales and distribution network.

Honey and Pollen Products

Our honey and pollen products include mainly different kinds of honey, with different flavours, honey related products such as honey comb as well as pollen product. Our honey and pollen products are sold under the “Superbee” brand, which is a well-recognised honey brand in Australia. The “Superbee” honey and pollen products are produced using mainly honey from Australia and New Zealand and manufactured in Australia. They generally have a shelf life of 18 months to five years from the date of production.

Personal Care Products

Our Group also sells and distributes personal care products under the “Organic Nature”, “Top Life” and “Golden Hive” brands, supplied by our brand proprietors from Australia. Some of these personal care products, such as facial cleanser, propolis tooth paste and emu oil, are produced with natural ingredients which correlate with our Group’s healthy and natural image. They generally have a shelf life of three to five years from the date of production.

SUPPLIERS

We purchase finished products mostly from our three major suppliers in Australia, with whom we have long-term and stable relationship of over five years.

The major suppliers for our products are HCL, Homart and Bee Wonderful, which are also our brand proprietors. HCL and Homart are our major suppliers for health supplement products and personal care products under the “Organic Nature” brand, “Top Life” brand and “Golden Hive” brand whereas Bee Wonderful is our major supplier of our honey and pollen products under the “Superbee” brand.

For the three years ended 31 March 2016, our purchases from HCL, our largest supplier, accounted for approximately 72.2%, 81.3% and 75.7% of our total purchases, respectively, while our purchases from our three major largest suppliers, accounted for approximately 99.7%, 100% and 100% of our total purchases in the respective years.

Please refer to the section headed “Business — Suppliers” for further details.

SUMMARY

SALES AND DISTRIBUTION

We have established a multi-channel “澳至尊” sales and distribution network including retail sales at our self-operated specialty stores in Hong Kong and Macau, consignment sales (including counter sales and shelf product sales) at the consignee stores in Hong Kong and Macau, wholesale sales to individual and chain retailers, online shopping platforms in China, online sales through our own website and distribution sales in Singapore via an exclusive distributor. We also sell our products in exhibitions and trade fairs. Our Group’s first specialty store was opened in 2012 in Hong Kong. Our Group’s sales team consisted 151 sales and marketing staff as at the Latest Practicable Date. They station at our specialty stores and our sales counters at the consignee stores to promote our products and provide product information to the consumers. Please refer to the section “Business — Sales and Distribution” in this prospectus for details of our sales and distribution network.

CUSTOMERS

Due to the nature of our Group’s business, our customers consist of retail consumers from the general public and individual and chain retailers whom we wholesale our products to (where the related risks and rewards of ownership is passed upon the delivery of products to the said retail customers, individual and chain retailers, as the case may be). The majority of our sales are made through our own specialty stores and consignment stores, our Directors considered that during the Track Record Period the sales to each of our individual consumers via these retail and sales channels is immaterial and difficult to quantify individually, and that our sales to each of our wholesale distributor was attributable to less than 3.5% of our overall revenue for the three years ended 31 March 2016. Our Directors are of the view that our Group did not rely on any single customer during the Track Record Period.

Major Distributors

Our distributors include our consignees, and individual and chain retailers of our other sale channels. Our consignees generally deduct a pre-agreed percentage of our consignment sales made at their stores as the commission payment to them. Consignment sales and wholesale sales to our individual and chain retailers together contributed to over 80% of our revenue during the Track Record Period.

For the three years ended 31 March 2016, sales through our five largest distributors, accounted for approximately 85.2%, 75.5% and 74.1% of our total revenue, while the largest distributor accounted for 52.3%, 44.2% and 43.1%, respectively of our total revenue for the same year.

OUR COMPETITIVE STRENGTHS

Our Directors take the view that our success and future prospects are based on a combination of the following competitive strengths:

- Multi-faceted marketing strategy and sales and distribution networks associated with the well recognised and trusted brand image of “澳至尊” attributing to our leading position in the health and personal care products market
- Stable exclusive distribution rights based on mutual and complementary relationship with our suppliers
- Experienced and dedicated management team and sales team with proven track record

SUMMARY

OUR BUSINESS STRATEGIES

Our Group intends to implement the following principal strategies to expand our business and create value for the shareholders:

- Further develop and strengthen our brand
- Maintain, expand and improve our sales network
- Explore business collaboration and expand our customer base
- Diversify and expand our product portfolio

Please refer to the section headed “Business — Our Strategies” for further details.

RISK FACTORS

Our business is subject to numerous risks and there are risks relating to investment in the Offer Shares. We believe that the following are some of the major risks that may have a material adverse effect on us:

- We are exposed to concentration risk of heavy reliance on our major suppliers for the supply of the branded health and personal care products, and any shortage of, or delay in, the supply may significantly affect our business and results of operation.
- We rely on the “Organic Nature” brand licensed by HCL to enhance our sales and market recognition.
- Our major suppliers may terminate the distribution agreements by giving six months’ notice to us, in which case our business, financial condition and operation results may suffer from a material adverse impact.
- We are exposed to unforeseeable events of labour disputes, strike action or natural disasters or other accidents which may affect the supply of our products from our major suppliers.
- We are exposed to uncertain changes of market conditions in Australia including the supply and availability of raw materials of our inventories, inflation of labour costs as well as the change of exchange rate of Australian dollars.
- Our major suppliers may change their existing sales or marketing strategy by changing their export strategy, reducing their sales or production volume, changing their selling prices or appointing other distributors which may compete with us in the markets where we currently operate or which we plan to expand into.
- Our business depends significantly on the market recognition of our brand name “澳至尊” and the brand name of our products and any damage or invalidation of our trademarks to the same or failure to effectively promote the brands could materially and adversely impact our business and results of operations.
- A possible slowdown in Hong Kong market may adversely affect our business, results of operations and financial performance.

SUMMARY

- We could be adversely affected by a change in consumer preferences, perception and spending habits and failure to develop or enrich our product offering or gain market acceptance of our new products could have a negative effect on our business.
- We may incur losses resulting from product liability claims that exceed the coverage of product liability insurance provided by Homart and Bee Wonderful respectively or product recalls.
- The existence of products imported by parallel traders in the Hong Kong and/or PRC markets via e-commerce platforms may damage our brand and reputation and have a material adverse effect on our business, financial condition, results of operations and prospects.
- We are exposed to the risk of competition from the internet retailing of similar products by our competitors and other traders via online shopping platforms.
- We are exposed to concentration risk of heavy reliance on sales through consignees and third-party retailers for our sales and we lack control over them.
- As all our specialty stores are leased properties, we are exposed to risks relating to the commercial real estate rental market. We may have disputes with our landlords, and if we cannot secure renewal of existing leases on commercially favourable terms, our business, results of operations and ability to implement our growth strategy will be adversely affected.
- Our current specialty store locations may become unattractive, and we may not be able to identify and obtain attractive new locations at reasonable terms, if at all, as we face intense competition with other retailers for quality sites.
- Fluctuations in currencies against the Hong Kong dollars could affect our profitability

NON-COMPLIANCE MATTERS

There are some incidents where our Hong Kong subsidiaries had failed to comply with certain regulatory requirements, including (i) non-compliance of the UMAO; (ii) non-compliance arising from late and inaccurate tax filings under the IRO; and (iii) non-compliance arising from late filing of import and export declarations for importations into and exportations from Hong Kong under the IAE Ordinance. For details, please refer to the section headed “Business — Non-compliance Matters” in this prospectus.

SUMMARY

SUMMARY OF COMBINED FINANCIAL INFORMATION

Key Income Statement Information

The below summary combined financial information for the three years ended 31 March 2016 should be read together with the combined financial information in Appendix I to this prospectus, including the accompanying notes and the information set forth in the section headed “Financial Information” in this prospectus. Our combined financial information was prepared in accordance with HKFRS.

	For the year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Revenue	195,461	225,788	210,840
Gross profit	163,680	189,864	180,342
Net profit for the year attributable to equity owners of the Company	34,575	23,174	12,293
Adjusted net profit for the year attributable to equity owners of the company (excluding listing expenses)	34,575	25,266	25,342
	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Total non-current assets	14,287	14,711	7,718
Total current assets	68,872	83,357	76,706
Total current liabilities	47,085	38,760	22,276
Net assets	35,656	58,687	61,955
Total equity attributable to equity owners of the Company	35,656	58,687	61,955

Revenue

Our revenue represents the net invoiced value of goods sold after deduction of allowances for returns (if any) and trade discounts provided to the Group’s consumers. During the Track Record Period, our revenue was derived mainly from the sales of our Group’s health and personal care products, which are broadly classified by nature into three major types of products as: (i) health supplement products; (ii) honey and pollen products; and (iii) personal care products.

Revenue by different types of products

The following table sets forth the breakdown of our Group of revenue by types of product:

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Health supplement	187,781	96.1	213,661	94.6	197,373	93.6
Honey and pollen	4,158	2.1	6,223	2.8	7,203	3.4
Personal care	3,522	1.8	5,904	2.6	6,264	3.0
Total	195,461	100	225,788	100	210,840	100

SUMMARY

Our health and personal care retail market is considered as a consumer market. The various types of products sold by us are subject to different levels of demand and consumer preference, which also depends on a series of factors, including, the pricing of our products, our product differentiation, brand images, our marketing and promotion activities, the customer loyalty, the accessibility of the sales channels of our products and the overall market trend, inter alia.

Revenue by product brands managed by our Group

Our Group's products were mainly sold under three Australian brands, namely "Organic Nature" brand, "Top Life" brand and "Superbee" brand.

The following table sets forth a breakdown of our revenue by the brands managed by our Group for the Track Record Period:

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Organic Nature	152,984	78.3	181,355	80.3	170,728	81.0
Top Life	35,810	18.3	34,220	15.2	28,261	13.4
Superbee	4,158	2.1	6,223	2.8	7,203	3.4
Others	2,509	1.3	3,990	1.7	4,648	2.2
Total	195,461	100	225,788	100	210,840	100

Note: Others include Golden Hive and another brand, which are also managed by our Group.

Sales volume and average selling price by major brands managed by our Group

The following table sets forth a summary of the sales volume and average selling price of the three major brands managed by us by revenue for the three years ended 31 March 2016:

	For the year ended 31 March					
	2014		2015		2016	
	% of total sales volume	%	% of total sales volume	%	% of total sales volume	%
Sales volume (approximate unit)						
Organic Nature	264,000	66.8	366,000	72.5	420,000	74.7
Top Life	74,000	18.7	81,000	16.0	75,000	13.4
Superbee	24,000	6.1	40,000	7.9	49,000	8.7
Average selling price (HK\$/unit)						
Organic Nature	579.5		495.5		406.5	
Top Life	483.9		422.5		376.8	
Superbee	173.3		155.6		147.0	

Note: Each unit is equivalent to a package of our product.

We have sold our health and personal care products under a variety of brand names, which were mainly derived from the sales of the three Australian brands managed by us during the Track Record Period, namely "Organic Nature", "Top Life" and "Superbee".

SUMMARY

Analysis of the average selling price of “Organic Nature” products

The average selling price of “Organic Nature” products were approximately HK\$579.5 and HK\$495.5 and HK\$406.5 per unit for the three years ended 31 March 2016 respectively. Our Directors considered that overall drop in the average selling price during the Track Record Period was mainly attributable to: (i) the increase in discounts and promotions of our products, benefiting from the drop in our purchasing costs of inventories as a result of the depreciation of Australian dollars, and responding to the sluggish market conditions across the retail sector in Hong Kong due to the decrease in the mainland Chinese visitors to Hong Kong; and (ii) the increase in the sale of “Organic Nature” products via our self-operated specialty stores, where we generally had higher flexibility to offer more discounts and promotions on the sale of certain products, including some relatively slow-moving products and products at lower retail price. For instance, our Group significantly increased the sales of travel size package of various types of products, which are smaller in size and quantity and have a lower retail price, via our various promotion events in order to boost our overall sales over the Track Record Period (please refer to the section headed “Financial Information — Health supplement products — (ii) Analysis of the average selling price of health supplements products”). For the analysis of our sales via our specialty stores, please refer to the section headed “Financial Information — 澳至尊 Specialty Stores” in this prospectus.

Analysis of the average selling price of “Top Life” products

The average selling price of “Top Life” products was approximately HK\$483.9, HK\$422.5 and HK\$376.8 per unit for the three years ended 31 March 2016 respectively. Such drop was mainly attributable to (i) the increase in discounts and promotions of our products, benefiting from the drop in our purchasing costs of inventories as a result of the depreciation of Australian dollars, in response to the sluggish market conditions across the retail sector in Hong Kong due to the decrease in the mainland Chinese visitors to Hong Kong; and (ii) the increase in sales of “Top Life” products via our self-operated specialty stores, where we generally had higher flexibility to offer more discounts and promotions on sales of certain products, including some relatively slow-moving products and products at lower retail price. For the analysis of our sales via our specialty stores, please refer to the section headed “Financial Information — 澳至尊 Specialty Stores” in this prospectus.

Analysis of the average selling price of “Superbee” products

The average selling price of “Superbee” products was approximately HK\$173.3, HK\$155.6 and HK\$147.0 per unit for the three years ended 31 March 2016 respectively. The decrease in average selling price of our overall honey and pollen products for the three years ended 31 March 2016 was attributable to (i) the increase in discounts and promotions of our products, benefiting from the drop in our purchasing costs of inventories as a result of the depreciation of Australian dollars, and responding to the sluggish market conditions across the retail sector in Hong Kong due to the decrease in the mainland Chinese visitors to Hong Kong; and (ii) the increase in sales of “Superbee” products via our self-operated specialty stores, where we generally had higher flexibility to offer more discounts and promotions on sales of certain products, including some other Australian honey products with different flavors and propolis candies at relatively lower retail prices. For the analysis of sales via our specialty stores, please refer to the section “Financial Information — 澳至尊 Specialty Stores” in this prospectus.

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Sales volume and average selling price by product types

	For the year ended 31 March					
	2014		2015		2016	
	total sales volume	% of total sales volume	total sales volume	% of total sales volume	total sales volume	% of total sales volume
Sales volume (approximate unit)						
Health supplement	326,000	82.5	426,000	84.4	476,000	84.7
Honey and pollen	24,000	6.1	40,000	7.9	49,000	8.7
Personal care	45,000	11.4	39,000	7.7	37,000	6.6
Average selling price (HK\$/unit)						
Health supplement	576.0		501.5		414.6	
Honey and pollen	173.3		155.6		147.0	
Personal care	78.3		151.4		169.3	

Note: Each unit is equivalent to a package of our product.

Sales volume and average selling price by sales channels

	For the year ended 31 March					
	2014		2015		2016	
	total sales volume	% of total sales volume	total sales volume	% of total sales volume	total sales volume	% of total sales volume
Sales volume (approximate unit)						
Consignment sales	311,000	78.7	338,000	66.9	361,000	64.2
Specialty stores	61,000	15.4	109,000	21.6	123,000	21.9
Other sales channels	23,000	5.9	58,000	11.5	78,000	13.9
Average selling price (HK\$/unit)						
Consignment sales	560.0		523.1		440.7	
Specialty stores	261.0		315.8		274.8	
Other sales channels	234.2		251.0		229.8	

Note: Each unit is equivalent to a package of our product.

Gross profit and gross profit margin

Gross profit represents the excess of turnover over cost of sales. The following tables set forth a summary of gross profit and gross profit margin by (i) product types; (ii) by brands; and (iii) sales channels, respectively:

(i) Gross profit and gross profit margin by product types

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	Margin %	HK\$'000	Margin %	HK\$'000	Margin %
Gross profit by product types						
Health supplement	158,408	84.4	181,026	84.7	170,248	86.3
Honey and pollen	2,635	63.4	4,199	67.5	4,846	67.3
Personal care	2,637	74.9	4,639	78.6	5,248	83.8
Total	<u>163,680</u>	<u>83.7</u>	<u>189,864</u>	<u>84.1</u>	<u>180,342</u>	<u>85.5</u>

SUMMARY

(ii) Gross profit and gross profit margin by brands

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	Margin%	HK\$'000	Margin%	HK\$'000	Margin%
Gross profit by brands						
— Organic Nature	128,635	84.1	153,282	84.5	146,768	86.0
— Top Life	30,434	85.0	29,108	85.1	24,648	87.2
— Superbee	2,635	63.4	4,199	67.5	4,846	67.3
— Others	1,976	78.7	3,275	82.1	4,080	87.8
Total	163,680	83.7	189,864	84.1	180,342	85.5

(iii) Gross profit and gross profit margin by sales channels

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	Margin%	HK\$'000	Margin%	HK\$'000	Margin%
Gross profit by sales channels						
— Specialty stores	12,820	80.5	28,002	81.3	28,512	84.3
— Consignment stores	147,049	84.4	151,462	85.7	138,715	87.2
— Other sales channels	3,811	70.8	10,400	71.4	13,115	73.2
Total	163,680	83.7	189,864	84.1	180,342	85.5

Note: Other sales channels include online sales at our website, online shopping platforms in China, distribution in Singapore by exclusive distributor and sales at trade fairs and exhibitions.

Key Financial Ratios

The following table shows certain key financial ratios during the Track Record Period:

	As at/For the year ended 31 March		
	2014	2015	2016
Current ratio ¹ (times)	1.5	2.2	3.4
Quick ratio ² (times)	1.2	1.9	3.0
Debt to equity ratio ³ (%)	N/A	N/A	N/A
Gearing ratio ⁴ (%)	21.8%	25.8%	20.8%
Interest coverage ratio ⁵ (times)	449.8	141.6	38.8
Return on assets ⁶ (%)	41.6%	23.6%	14.6%
Return on equity ⁷ (%)	97.0%	39.5%	19.8%
Gross profit margin ⁸	83.7%	84.1%	85.5%
Net profit margin ⁹	17.7%	10.3%	5.8%
Adjusted net profit margin ¹⁰	17.7%	11.1%	12.1%

Notes:

1. *Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.*
2. *Quick ratio is calculated based on the total current assets less inventories and divided by total current liabilities as at the respective year end.*
3. *Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.*
4. *Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year end and multiplied by 100%.*

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5. *Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective year.*
6. *Return on total assets is calculated by the net profit for the year divided by the total assets as at the respective year end and multiplied by 100%.*
7. *Return on equity is calculated by the net profit for the year divided by the total equity as at the respective year end and multiplied by 100%.*
8. *Gross profit margin is calculated by the gross profit divided by the revenue for the respective year and multiplied by 100%.*
9. *Net profit margin is calculated by the net profit for the year divided by the revenue for the respective year and multiplied by 100%.*
10. *Adjusted net profit margin is calculated by the net profit for the year excluding the listing expense divided by the revenue for the respective year and multiplied by 100%.*

NET PROFIT MARGIN AND ADJUSTED NET PROFIT MARGIN

For the three years ended 31 March 2016, our net profit was approximately HK\$34.6 million, HK\$23.2 million and HK\$12.3 million, net profit margin was approximately 17.7%, 10.3% and 5.8%. While our gross profit margin remained strong during the Track Record Period, such drop was mainly driven by: (i) our increasing investment in marketing and promotion activities and rapid expansion of our “澳至尊” sales and distribution network in Hong Kong; and (ii) the recognition of listing expenses of HK\$2.1 million and HK\$13.0 million for the year ended 31 March 2015 and 2016. If our listing expenses were excluded, our Group’s adjusted net profit would be approximately HK\$34.6 million, HK\$25.3 million and 25.3 million with adjusted net profit margin being approximately 17.7%, 11.1% and 12.1% for the respective years. Our Directors considered that the simulative effects of above were partially offset by the sluggish market conditions across the retail sector in Hong Kong, in addition to the decrease in the mainland Chinese visitors since a couple of anti-mainlander protests in Hong Kong and the depreciation in RMB.

DIVIDEND

For the three years ended 31 March 2016, members of our Group declared dividends of approximately HK\$30.0 million, nil and HK\$10.7 million, representing approximately 86.7%, nil and 86.1% of the respective years’ net profit for the year. All the dividends paid by our Group were paid to our Controlling Shareholders. The declared dividends for the year ended 31 March 2014 to our Controlling Shareholders paid by cash in July 2015. The interim dividends of approximately HK\$10.7 million for the year ended 31 March 2016 were paid by cash after setting off against the outstanding balances of the amount due from our Controlling Shareholders. In addition, members of our Group declared and settled interim dividends in amount of HK\$7.1 million on 23 June 2016 to our Controlling Shareholders. All of such dividends were paid by cash after setting off against the outstanding balances of the amount due from our Controlling Shareholders. Such dividends were funded by our internal resources. Our Directors consider that there is no material adverse impact on our Group’s financial and liquidity position arising out of the dividend payment.

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. There will be

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no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future. Our Group does not currently have a dividend policy.

EMPLOYEE PREFERENTIAL OFFERING

Up to 1,876,000 Employee Reserved Shares, representing approximately 1% of the Offer Shares, are available for subscription by the Eligible Employees on a preferential basis. Directors and directors of any of our subsidiaries and their respective affiliates shall not apply for Employee Reserved Shares under the Employee Preferential Offering, and they shall not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering or apply for or indicate an interest in acquiring the International Placing Shares under the International Placing. All Eligible Employees may apply for Hong Kong Offer Shares in the Hong Kong Public Offering and the Employee Preferential Offering but may not apply for or indicate an interest in acquiring International Placing Shares under the International Placing. For further details, please refer to the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus.

LISTING EXPENSES

Based on the Offer Price of HK\$1.00 (being the mid point of the Offer Price range stated in this prospectus), estimated listing expenses in connection with the Global Offering (inclusive of underwriting fee) are approximately HK\$42.1 million, of which HK\$2.1 million and HK\$13.0 million have been charged to our combined statement of profit or loss and other comprehensive income for the two years ended 31 March 2016, and approximately HK\$8.9 million is expected to be charged to our combined statement of profit or loss and other comprehensive income for the year ending 31 March 2017 and approximately HK\$18.1 million is expected to be capitalised as deferred expenses and charged against equity upon the Global Offering under the relevant accounting standard.

CONTROLLING SHAREHOLDERS' INFORMATION

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in our Shares

<u>Name</u>	<u>Nature of Interest</u>	<u>No. of Shares held</u>	<u>Approximate percentage of shareholding</u>
Beatitudes . . .	Beneficial owner (<i>Note 1</i>)	562,500,000	75%
Mr. Choy	Interest in controlled corporation (<i>Note 2</i>)	562,500,000	75%
Mrs. Choy . . .	Interest in controlled corporation (<i>Note 2</i>)	562,500,000	75%

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Notes:

1. *Beatitudes is a company incorporated in the BVI and will own 75% shareholding interest in the Company immediately following completion of the Global Offering and the Capitalisation Issue but taking no account of the Shares to be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme.*
2. *Each of Mr. Choy and Mrs. Choy (together as a group of our Controlling Shareholders) owns 50% of the issued share capital of Beatitudes, respectively. Immediately following completion of the Global Offering and the Capitalisation Issue but taking no account of the Shares to be issued pursuant to options which may be granted under the Share Option Scheme, Beatitudes will be the beneficial owner holding 75% shareholding interest in our Company and thus each of Mr. Choy and Mrs. Choy will be deemed or taken to be interested in all the Shares which are to be beneficially owned by Beatitudes for the purpose of the SFO. Mr. Choy and Mrs. Choy are directors of Beatitudes.*

GLOBAL OFFERING STATISTICS

Market capitalisation at Listing:	HK\$600 million to HK\$933.7 million
Offer size:	187,500,000 Shares
Offer Price:	HK\$0.80 to HK\$1.20
Board lot:	4,000 Shares
Offering structure:	168,740,000 Shares for the International Placing 18,760,000 Shares for the Hong Kong Public Offering (and including 1,876,000 Employee Reserved Shares)
Unaudited pro forma adjusted combined net tangible assets per Share ⁽¹⁾ :	HK\$0.26 to HK\$0.34

Note 1: No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2016. In addition, the unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company does not take into account the interim dividend of HK\$7,100,000 declared and paid on 23 June 2016. Had such dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets would be approximately HK\$186,495,000 (assuming an offer price of HK\$0.80 per share) and approximately HK\$247,995,000 (assuming an offer price of HK\$1.20 per share) respectively, while the unaudited pro forma adjusted combined net tangible assets per share would be HK\$0.25 (assuming an offer price of HK\$0.80 per share) and HK\$0.33 (assuming an offer price of HK\$1.20 per share) respectively. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after adjustment for the estimated net proceeds from the Global Offering payable to the Company and on the basis that a total of 750,000,000 Shares were in issue assuming that the Global Offering was completed on 31 March 2016 (including Shares in issue as of the date of this prospectus and those Shares to be issued pursuant to the Global Offering and the Capitalization Issue) without taking into account any Shares which may be issued upon the exercise of the Over-Allotment Option and options which may be granted under the Share Option Scheme.

SUMMARY

USE OF PROCEEDS

We estimate that the net proceeds available to us from the Global Offering (after deducting underwriting fees and related listing expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$1.00 per Offer Share, being the mid-point of the indicative range of the Offer Price) will be approximately HK\$145.4 million, assuming the Over-allotment Option is not exercised. We intend to apply the net proceeds as follows:

- (i) approximately 35% or HK\$51.0 million will be used for further developing and strengthening our brand, including:
 - approximately 20% of the net proceeds for launching various marketing activities to promote brand awareness;
 - approximately 10% of the net proceeds for strengthening staff training activities and expanding our sales and marketing team and other departments;
 - approximately 5% of the net proceeds for enhancing sales support and customer services;
- (ii) approximately 25% or HK\$36.3 million will be used for maintaining, expanding and improving our sales network, including (a) expanding our network of self-operated specialty stores by opening more in Hong Kong (one to three specialty stores to be opened by 31 March 2017 and four to seven more by 31 March 2018); and (b) extending our consignment sales coverage as well as improving our sales counters and shelf spaces at the consignees' retail stores (one to three sales counters to be set up by 30 September 2017 and three to five more by 31 March 2018);
- (iii) approximately 17% or HK\$24.7 million will be used for exploring business collaboration and expanding our customer base, including:
 - approximately 10% of the net proceeds for developing our e-commerce sales network and exploring opportunities to co-operate with more online shopping platforms in Hong Kong, China and other regions;
 - approximately 7% for conducting marketing research and feasibility to assess the potential of new markets (including Taiwan and Indonesia);
- (iv) approximately 13% or HK\$18.9 million for diversifying and expanding our product portfolio, including (a) discussing with our existing brand proprietors on the potential and practicality of developing new products; and (b) exploring business collaboration opportunities with other brand proprietors;
- (v) the remaining balance of 10% or HK\$14.5 million for our Group's general working capital.

For details, please refer to the section headed "Future Plans & Use of Proceeds" of this prospectus.

SUMMARY

RECENT DEVELOPMENT

Based on the unaudited management accounts of our Group for the two months ended 31 May 2016, the average monthly revenue decreased as compared to that for the year ended 31 March 2016. The decrease was in line with the overall decreasing trend of total retail sales in the first quarter of 2016 in Hong Kong which has decreased by approximately 12.5% as compared to the same period in 2015 according to the statistics culled from the Department of Census and Statistics.

As at the Latest Practicable Date, our Group had entered into a rental agreement in April 2016 for the operation of our specialty store in Tuen Mun after considering the pedestrian flow and target customer group. The specialty store in Tuen Mun was opened in April 2016. Please refer to the section headed "Business — Property" for further details.

Member of our Group declared interim dividends in amount of HK\$7.1 million. All of such dividends were settled and funded by our Group's internal resources. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payment.

We currently expect that our net profit for the year ending 31 March 2017 will be negatively impacted by the listing expenses of approximately HK\$8.9 million (calculated on the assumption of an Offer Price of HK\$1.00 per Share, being the mid-point of the proposed Offer Price range), all of which will be listing expenses to be recognised as expenses in our combined statement of profit or loss and other comprehensive income and the remaining listing expenses which are directly attributable to issuing new share will be deducted from equity upon the completion of the Global Offering.

The factors which affected our revenue during the Track Record Period, in particular the depreciation of RMB and the decreasing number of mainland Chinese visitors, continue subsequent to the Track Record Period. According to the statistics culled from the Department of Census and Statistics and the Hong Kong Tourism Board, the total number of mainland Chinese visitors in March 2016 has decreased by approximately 6.9% as compared to that of March 2015, whereas the volume of total retail sales in March 2016 has decreased by approximately 9.8% compared with March 2015.

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) came into effect in December 2015. Our Directors consider that such legislation would not have any material adverse impact on our Group's business or sales operations.

Save as disclosed above under this heading, there had not been, as far as we are aware of, any material change in the general economic and market conditions in the industry in which we operate that have had a material and adverse impact on our business operations and financial condition since 31 March 2016 and up to the date of this prospectus.

Save as disclosed above under this heading, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the financial condition or prospects of our Group since 31 March 2016, being the end of the period reported on in the Accountants' Report and there had been no event since 31 March 2016 and up to the date of this prospectus which could materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

DEFINITIONS

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

<i>“Affiliate(s)”</i>	in relation to a director of any member of the Group means: (i) a close associate (as defined in Rule 1.01 of the Listing Rules) of such director; (ii) any person whose acquisition of Shares has been financed directly or indirectly by such director or the close associate of such director; or (iii) any person who is accustomed to take instructions from such director or close associate of such director in relation to the acquisition, disposal, voting or other disposition of Shares registered in that person’s name or otherwise held by that person
<i>“Ample Orient” or “Sole Global Coordinator” or “Stabilising Manager”</i>	Ample Orient Capital Limited, a corporation which is licensed to conduct Type 1 (dealing in securities) of the regulated activities under the SFO
<i>“Application Form(s)”</i>	WHITE, YELLOW, GREEN and PINK application form(s) or, where the context so requires, any of them
<i>“Articles” or “Articles of Associations”</i>	the articles of association of our Company adopted on 20 June 2016, as amended, supplemented or otherwise modified from time to time, the summary of which is set out in Appendix III to this prospectus
<i>“associate(s)”</i>	has the meaning ascribed to it under the Listing Rules
<i>“AUD”</i>	Australian dollars, the lawful currency of Australia
<i>“Ausupreme”</i>	Ausupreme International Limited (澳至尊國際有限公司), a company incorporated in Hong Kong with limited liability on 9 March 2015 and an indirect wholly owned subsidiary of our Company
<i>“Beatitudes”</i>	Beatitudes International Ltd., a limited liability company incorporated under the laws of the BVI on 8 April 2015 which is owned as to 50% by each of Mr. Choy and Mrs. Choy, and is a Controlling Shareholder
<i>“Bee Wonderful”</i>	Bee Wonderful Pty Ltd, a company incorporated in Australia, which is our supplier for honey and pollen products under the “Superbee” brand
<i>“Board”</i>	the board of Directors
<i>“Business Day(s)”</i>	any day(s) (excluding Saturday(s) and Sunday(s) and public holiday) in Hong Kong on which licensed banks in Hong Kong are open for banking business throughout their normal business hours
<i>“BVI”</i>	the British Virgin Islands

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<i>“Capitalisation Issue”</i>	the capitalisation of an amount of HK\$5,624,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full 562,490,000 Shares for issue and allotment to our Shareholders on the Listing Date as resolved by our Shareholders on 20 July 2016
<i>“CCASS”</i>	the Central Clearing and Settlement System established and operated by HKSCC
<i>“CCASS Clearing Participant”</i>	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
<i>“CCASS Custodian Participant”</i>	a person admitted to participate in CCASS as a custodian participant
<i>“CCASS Investor Participant”</i>	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
<i>“CCASS Participant”</i>	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
<i>“Companies Law” or “Cayman Companies Law”</i>	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
<i>“Companies Ordinance”</i>	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<i>“Companies (Winding Up and Miscellaneous Provisions) Ordinance”</i>	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
<i>“Company” and “our Company”</i>	Ausupreme International Holdings Limited (澳至尊國際控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 17 April 2015
<i>“connected person(s)”</i>	has the meaning ascribed to it under the Listing Rules
<i>“Controlling Shareholder(s)”</i>	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Choy, Mrs. Choy and Beatitudes
<i>“core connected person(s)”</i>	has the meaning ascribed to it under the Listing Rules
<i>“Deed of Indemnity”</i>	the deed of indemnity dated 20 July 2016 entered into between the Controlling Shareholders and our Company (for itself and as trustee for other Group members) in respect of taxation and other indemnities referred to in the paragraph headed “E. Other Information — 1. Tax and Other Indemnities” in Appendix IV to this prospectus
<i>“Deed of Non-competition”</i>	the deed of non-competition dated 20 July 2016 entered between the Controlling Shareholders and our Company in the section headed “Relationship with Controlling Shareholder — Deed of Non-competition” in this prospectus

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<i>“Director(s)” and “our Directors”</i>	director(s) of our Company
<i>“Eligible Employees”</i>	all full-time employee(s) of our Group who joined our Group on or before the Latest Practicable Date and who (a) is at least 18 years of age; (b) has a Hong Kong address; (c) remains as a full-time employee of our Company or any of our subsidiaries, and is not on probation, as at the Latest Practicable Date; (d) has not tendered resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before the Latest Practicable Date; (e) is not the chief executive or directors of our Company or our subsidiaries; (f) is neither an, nor a close associate of an, existing beneficial owner of Shares or of shares of any of our subsidiaries; and (g) is not any other core connected persons of our Company
<i>“Employee Preferential Offering”</i>	the offer by our Company of the Employee Reserved Shares for subscription by the Eligible Employees as described in the section headed “Structure of the Global Offering — The Employee Preferential Offering” in this prospectus at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions stated herein and in the PINK Application Forms
<i>“Employee Reserved Shares”</i>	the 1,876,000 Hong Kong Offer Shares initially being offered for subscription by our Company at the Offer Price under the Employee Preferential Offering (representing approximately 1.0% of the total number of Offer Shares initially being offered under the Global Offering, assuming that the Over-allotment Option is not exercised) which are to be allocated out of the Hong Kong Offer Shares
<i>“Euromonitor” or “EMI”</i>	Euromonitor International Limited, an independent industry consultant commissioned by us to prepare the Euromonitor Report
<i>“Euromonitor Report”</i>	an independent research report dated 28 July 2016, commissioned by us and prepared by Euromonitor for the purpose of the Listing
<i>“Faithfulness”</i>	Faithfulness International Limited, a company incorporated in the BVI on 16 June 2015 with limited liability and a wholly owned subsidiary of the Company
<i>“Gentleness”</i>	Gentleness International Limited, a company incorporated in the BVI on 16 June 2015 with limited liability and a wholly owned subsidiary of the Company
<i>“Global Offering”</i>	the Hong Kong Public Offering and the International Placing
<i>“Goodness”</i>	Goodness International Limited, a company incorporated in the BVI on 16 June 2015 with limited liability and a wholly owned subsidiary of our Company
<i>“GREEN Application Form(s)”</i>	the application form(s) to be completed by the HK eIPO White Form Service Provider

DEFINITIONS

<i>“Group”, “we”, “our”, “our Group” and “us”</i>	the Company and its subsidiaries or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company, some or any of them and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
<i>“HCL”</i>	HCL Manufacturers Pty Ltd, a company incorporated in Australia, which is our supplier for products under the “Organic Nature” brand
<i>“HCL Agreement”</i>	the sole distributor agreement (worldwide) between HCL and Truth & Faith (Hong Kong) dated 1 October 2014 as supplemented by the agreement between HCL and Truth & Faith (Hong Kong) dated 22 April 2015
<i>“HK\$” or “HKD” or “Hong Kong dollars”</i>	Hong Kong dollars, the lawful currency of Hong Kong
<i>“HK eIPO White Form”</i>	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting application online through the designated website www.hkeipo.hk
<i>“HK eIPO White Form Service Provider”</i>	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
<i>“HKSCC”</i>	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
<i>“HKSCC Nominees”</i>	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
<i>“Homart”</i>	Homart Pharmaceuticals Pty Ltd, a company incorporated in Australia, which is our supplier for products under the “Top Life” and “Golden Hive” brands
<i>“Hong Kong” or “HK”</i>	the Hong Kong Special Administrative Region of the PRC
<i>“Hong Kong Government”</i>	the government of Hong Kong
<i>“Hong Kong Legal Counsel”</i>	Mr. Jackson Poon, barrister-at-law in Hong Kong
<i>“Hong Kong Offer Shares”</i>	the 18,760,000 new Shares initially being offered for subscription by our Company at the Offer Price under the Hong Kong Public Offering representing approximately 10% of the initial number of Offer Shares (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
<i>“Hong Kong Public Offering”</i>	the conditional offer by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong as described in the section headed “Structure of the Global Offering” in this prospectus for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto

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<i>“Hong Kong Share Registrar”</i>	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
<i>“Hong Kong Underwriters”</i>	the underwriters of the Hong Kong Offer Shares listed in the section headed “Underwriting” in this prospectus
<i>“Hong Kong Underwriting Agreement”</i>	the conditional public offer underwriting agreement dated 27 July 2016 relating to the Hong Kong Public Offering entered into between, amongst others, our Company, our executive Directors, our Controlling Shareholders, the Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters, particulars of which are set forth in the section headed “Underwriting” in this prospectus
<i>“IAE Ordinance”</i>	Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<i>“IAE Registration Regulations”</i>	Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<i>“Independent Third Party(ies)”</i>	party(ies) which are independent of and not connected with any director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective associates within the meaning of the Listing Rules
<i>“International Placing”</i>	the conditional placing of the International Placing Shares by the International Placing Underwriters with institutional, professional or other investors at the Offer Price, as further described in the section headed “Structure of the Global Offering” in this prospectus
<i>“International Placing Shares”</i>	the 168,740,000 new Shares initially being offered by us for subscription at the Offer Price under the International Placing (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
<i>“International Placing Underwriters”</i>	the underwriters of the International Placing Shares
<i>“International Placing Underwriting Agreement”</i>	the conditional underwriting agreement relating to the International Placing which is expected to be entered into by, among others, the Sole Global Coordinator, the International Placing Underwriters, our Controlling Shareholders, the executive Directors and our Company on or around the Price Determination Date, as further described in the section headed “Underwriting” in this prospectus
<i>“IRD”</i>	The Inland Revenue Department of Hong Kong Government
<i>“IRO”</i>	Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<i>“Joint Bookrunners” or “Joint Lead Managers”</i>	Ample Orient Capital Limited, Great Roc Capital Securities Limited and Ping An Securities Limited

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<i>“Latest Practicable Date” or “LPD”</i>	20 July 2016, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
<i>“Listing”</i>	the listing of the Shares on the Main Board
<i>“Listing Committee”</i>	the listing sub-committee of the board of directors of the Stock Exchange
<i>“Listing Date”</i>	the date on which dealings in the Shares on the Main Board first commences
<i>“Listing Rules”</i>	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
<i>“Macau”</i>	the Macau Special Administrative Region of the PRC
<i>“Main Board”</i>	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
<i>“Memorandum” or “Memorandum of Association”</i>	the memorandum of association of our Company adopted on 20 July 2016 as amended, supplemented or otherwise modified from time to time, the summary of which is set out in Appendix III to this prospectus
<i>“Miracle Natural”</i>	Miracle Natural Products Limited (奇恩天然產品有限公司), a company incorporated in Hong Kong with limited liability on 12 May 2010 and an indirect wholly owned subsidiary of the Company
<i>“MOP”</i>	Macau Pataca, the lawful currency of Macau
<i>“Mr. Choy”</i>	Mr. Choy Chi Fai, our executive Director and managing director, and husband of Mrs. Choy, who are together a group of our Controlling Shareholders
<i>“Mrs. Choy”</i>	Ms. Ho Ka Man, our executive Director and marketing director, and wife of Mr. Choy, who are together a group of our Controlling Shareholders
<i>“MTR”</i>	the Mass Transit Railway
<i>“Offer Price”</i>	the final price for each Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% payable thereon)
<i>“Offer Share(s)”</i>	the Hong Kong Offer Shares and the International Placing Shares

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<i>“Over-allotment Option”</i>	the option expected to be granted by our Company to the International Placing Underwriters, exercisable by Sole Global Coordinator (for itself and on behalf of the International Placing Underwriters) subject to the terms and conditions of the International Placing Underwriting Agreement pursuant to which our Company may be required to allot and issue up to an aggregate of 28,124,000 additional Offer Shares (representing approximately 15% of the initial number of the Offer Shares) to cover over-allocations in the International Placing and/or to satisfy the obligation of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement, particulars of which are set out in the section headed “Structure of the Global Offering” in this prospectus
<i>“Patience”</i>	Patience International Limited, a company incorporated in the BVI on 16 June 2015 with limited liability and a wholly owned subsidiary of the Company
<i>“PINK Application Form(s)”</i>	the application form(s) to be sent to Eligible Employees to subscribe for the Employee Reserved Shares pursuant to the Employee Preferential Offering
<i>“PRC” or “China”</i>	the People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau and Taiwan
<i>“PRC Government”</i>	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and organs thereof or, as the context requires, any of them
<i>“Price Determination Agreement”</i>	the agreement to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date to fix and record the Offer Price
<i>“Price Determination Date”</i>	the date on which the final Offer Price is to be determined by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), which is expected to be on or about 3 August 2016 and in any event not later than 8 August 2016
<i>“Prof Kiu”</i>	Prof Kiu International Limited (翹博國際有限公司), a company incorporated in Hong Kong with limited liability on 5 March 2012, which was wholly-owned by Mr. Choy and Mrs. Choy in equal share as at the Latest Practicable Date and does not form part of our Group
<i>“Reorganisation”</i>	the corporate reorganisation of our Group in preparation for the Listing as described under the section headed “History, Reorganisation and Corporation Structure — Reorganisation” in this prospectus
<i>“RMB” or “Renminbi”</i>	Renminbi yuan, the lawful currency of the PRC
<i>“SFC”</i>	the Securities and Futures Commission of Hong Kong
<i>“SFO”</i>	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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“SGD”	Singapore dollars, the lawful currency of Singapore
“Share(s)”	share(s) of par value HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) of our Company from time to time
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 20 July 2016, a summary of principal terms of which is set out under the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Singapore”	the Republic of Singapore
“Sponsor”	Ample Capital Limited, a corporation which is licensed to conduct Type 4 (advising securities), Type 6 (advising on corporate finance), Type 9 (asset management) of the regulated activities under the SFO
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Stabilising Manager and Beatitudes, on or around the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance
“Substantial Shareholder(s)”	has/have the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers
“Track Record Period”	the three financial years ended 31 March 2014, 2015 and 2016
“Truth & Faith (Hong Kong)”	Truth & Faith International Limited (信基國際企業有限公司), a company incorporated in Hong Kong with limited liability on 16 November 2001 and an indirect wholly owned subsidiary of our Company
“Truth & Faith (Macau)”	Truth & Faith International (Macau) Limited (信基國際(澳門)有限公司), a company incorporated in Macau with limited liability on 12 October 2011 and an indirect wholly owned subsidiary of our Company
“Truth & Faith (Shenzhen)”	信基奇恩(深圳)貿易有限公司, a company incorporated in the PRC with limited liability on 20 September 2011, which was wholly owned by Truth & Faith (Hong Kong) prior to its dissolution on 27 May 2015
“Truth & Faith (Singapore)”	Truth & Faith International (Singapore) Pte. Ltd., a company limited by Shares incorporated in Singapore on 26 September 2013, and the entire issued share capital was wholly owned by Truth & Faith (Hong Kong) prior to our Group’s disposal on 31 August 2015
“UMAO”	Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong), as amended and supplemented or otherwise modified from time to time
“Underwriters”	the Hong Kong Underwriters and the International Placing Underwriters

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<i>“Underwriting Agreements”</i>	the Hong Kong Underwriting Agreement and the International Placing Underwriting Agreement
<i>“United States” or “U.S.” or “US”</i>	the United States of America
<i>“USD” or “US\$” or “U.S. dollars”</i>	United States dollars, the lawful currency of the United States
<i>“U.S. Securities Act”</i>	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
<i>“WHITE Application Form(s)”</i>	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s or applicant’s own name(s)
<i>“YELLOW Application Form(s)”</i>	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

In this prospectus, unless expressly stated or the context requires otherwise:

- all data in this prospectus is as of the date of this prospectus.
- amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. Where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, and amounts presented as percentages have been rounded to the nearest tenth of a percent. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.
- percentage shareholding of the Company upon or after the completion of Global Offering and the Capitalisation Issue represents percentage shareholding calculated on the basis without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

“CAGR”	Compound annual growth rate, a method of assessing the average growth of a value over time
“ERP”	enterprise resources planning
“FIFO” or “first-in, first-out”	an asset-management and valuation method in which the assets produced or acquired first and sold, used or disposed of first
“GMP” or “Good Manufacturing Practice”	a quality assurance approach used by drug manufacturing industry worldwide to ensure that products are consistently produced and controlled according to appropriate quality standards
“HACCP” or “Hazard Analysis and Critical Control Points”	a scientific and systematic approach to identify, assess and control hazards in the food production process. With the HACCP system, food safety control is integrated into the design of the process rather than relied on end-product testing
“health supplement products”	products in forms of pills, tablets, soft capsules or liquid for oral intake (except propolis candy which is regarded as honey and pollen products)
“Honey and pollen products”	honey and honey related products in forms other than capsule
“ISO 9001”	an international standard which sets out the criteria for a quality management system. The standard is based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement
“ISO 22000”	an international standard which sets out the requirements for a food safety management system. It maps out what an organization needs to do to demonstrate its ability to control food safety hazards in order to ensure that food is safe
“nutritionist”	a person who has acquired an undergraduate degree or above in nutrition
“personal care products”	products include cream, serum, toothpaste, emu oil, lip balm, facial cleanser, skin toner and facial masks
“SGS”	SGS Systems & Service Certification Pty Ltd, a company which provides services of inspection, verification, testing and certification
“sq.ft”	square feet
“sq.m” or “m ² ”	square metres
“TGA”	Therapeutic Goods Administration of Australia
“%”	per cent

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Our Business”, “Financial Information” and “Future Plans and Use of Proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk Factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business prospects, operating strategies, plans, capital expenditure and objectives and business opportunities that we may pursue;
- the performance of global financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;
- our dividend policy;
- the nature of, and potential for, future development of our business; and
- the future competitive environment and regulatory environment for the industry in which the Group operates.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including:

- our ability to achieve growth of existing business and expansion of operations through investments;
- changes in the governmental policies, laws or regulations of the relevant jurisdictions where we operate in or is expanding into;
- our ability to attract and retain customers;
- our ability to attract and retain quality employees and key personnel;
- our ability to protect and promote our brand, trademarks or other intellectual property rights;
- global economic, market and business conditions; and
- the other risk factors discussed in the “Risk Factors” and other sections of this prospectus as well as other factors beyond our control.

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

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. Any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of the Offer Shares and cause you to lose part or all of the value of your investment in the Offer Shares.

RISK RELATING TO OUR BUSINESS

We are exposed to concentration risk of heavy reliance on our major suppliers for the supply of the branded health and personal care products, and any shortage of, or delay in, the supply may significantly impact on our business and results of operation.

Our purchases from HCL amounted to HK\$24.8 million, HK\$28.1 million and HK\$22.1 million for the three years ended 31 March 2016 respectively, representing 72.2%, 81.3%, and 75.7% of our total purchases for the respective years. Our purchases from Homart and Bee Wonderful together amounted to HK\$9.4 million, HK\$6.4 million and HK\$7.1 million for the three years ended 31 March 2016 respectively, representing 27.5%, 18.7% and 24.3% of our total purchases for the respective years. Our purchases from our three major suppliers accounted for approximately 99.7%, 100% and 100% of our total purchases in the respective years. We rely on HCL, Homart and Bee Wonderful as our three largest suppliers and in particular, HCL is our largest supplier which accounts for over 70% of our annual purchases throughout the Track Record Period. In turn, our business, financial condition and operating results depend on the continuous supply of products from HCL, Homart and Bee Wonderful and our continuous supplier-customer relationship with them. Among the three suppliers, our heavy reliance on HCL for the supply of our branded health and personal care products will have 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 section headed “Business — Suppliers” in this prospectus.

We rely on the “Organic Nature” brand licensed by HCL to enhance our sales and market recognition.

Pursuant to the HCL Agreement, HCL granted a licence to us to use the trademarks “Organic Nature” in Hong Kong, Macau, Singapore and China in connection with our sale and distribution of products purchased by us from HCL. Our customers’ loyalty to our products under the “Organic Nature” brand, and our sales, depend partly on the market recognition and awareness of the “Organic Nature” brand. As a result, we rely on HCL as our licensor of the “Organic Nature” brand and our business, financial condition and operating results depend on our continuous relationship with HCL.

Our major suppliers may terminate the distribution agreements by giving six months’ notice to us, in which case our business, financial condition and operation results may suffer from a material adverse impact.

As is customary in distribution arrangements of this type, the distribution agreements with HCL and Homart are terminable by either party by giving six months’ notice. In particular, the suppliers generally have the right to terminate the distribution agreements if we breach or fail to perform certain major terms of the distribution agreements. There is no assurance that these suppliers will not terminate the distribution agreements. In the event that they terminate the distribution agreements, we will have to source products from other suppliers and we may not be able to secure supply of products with quantity and quality required to support our business or at all. Further, in the event that HCL terminates the supply agreement with us, our Group may be requested by HCL to transfer the various trademarks we have registered or submitted applications associated with the “Organic Nature” brand to HCL. Our

RISK FACTORS

Group is willing to transfer the said trademarks to HCL if so requested by HCL. In any event, upon the expiry or termination of the HCL Agreement, our Group will cease to use the “Organic Nature” brand and trademarks on our products. In the meantime, we may not be able to replace the “Organic Nature” brand by other brands. Such termination could therefore have a material adverse impact on our business, financial condition and operating results if our Group fails to engage other suppliers before the termination of the HCL Agreement.

We are exposed to unforeseeable events of labour disputes, strike action or natural disasters or other accidents which may affect the supply of our products from our major suppliers.

There is no assurance that our major suppliers, namely HCL, Homart and Bee Wonderful, will continue to supply their products in the quantities and timeframes required by us to meet the needs of our customers or comply with their supply agreements with us. Our product supply may also be disrupted by potential labour disputes, strike action or natural disasters or other accidents affecting these suppliers. If our major suppliers do not supply products to us in a timely manner or in sufficient quantities, our business, financial condition and operating results may be materially and adversely affected. Furthermore, in the event of any delay in delivery of the products to us, our cashflow or working capital may be materially and adversely affected as a result of the corresponding delay in delivery of our products to our customers, and hence the delay in our receipt of payment from our customers.

We are exposed to uncertain changes of market conditions in Australia including the supply and availability of raw materials of our inventories, inflation of labour costs as well as the change of exchange rate of Australian dollars.

In addition, our cost of sales were approximately HK\$31.8 million, HK\$35.9 million and HK\$30.5 million for the three years ended 31 March 2016 which mainly represented the cost of inventories sourced from our brand proprietors in Australia. Since the fluctuation of our overall cost of inventories has significant effect in our revenue, we have to encounter a series of market conditions, including the supply and availability of raw materials of our inventories (which are mainly extracted from natural resources, such as, plants and animals in Australia), the inflation of labour costs in Australia as well as the change of exchange rate of Australian dollars being the transactional currency of our inventories. The increase of the cost of inventories resulting from the abovementioned market conditions will have adverse impact on our revenue and business performance.

Our major suppliers may change their existing sales or marketing strategy by changing their export strategy, reducing their sales or production volume, changing their selling prices or appointing other distributors which may compete with us in the markets where we currently operate or which we plan to expand into.

Our major suppliers may change their existing sales or marketing strategy in respect of the products supplied to us by selling those products directly to end customers without going through its distributors or sub-distributors such as our Group, changing their export strategy, reducing their sales or production volume or changing their selling prices. While we are granted exclusive distribution rights by Homart and Bee Wonderful in Hong Kong and relevant regions, we are not recognised as their exclusive distributor in other markets. Consequently, there is no assurance that such major suppliers will not appoint other dealers or distributors which may compete with us in the markets where we do not enjoy exclusivity right. Furthermore, any significant increase in the selling prices of the products which we source from our major suppliers will increase our costs and may adversely affect our profit margin if we are not able to pass the increased costs on to our customers. Our overall gross profit margin amounted to approximately 83.7%, 84.1%, and 85.5% for each of the three years ended 31 March 2016, respectively. The historically high gross profit margins may not be sustainable in the future.

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There is no assurance that there will be no deterioration in our relationship with our major suppliers which could affect our ability to secure sufficient supply of products for our business. In the event that any of our suppliers changes its sales or marketing strategy or otherwise appoint other dealers or distributors who may compete with us, our business, financial condition and operating results may be materially and adversely affected.

Our business depends significantly on the market recognition of our brand name “澳至尊” and the brand name of our products and any damage or invalidation of our trademarks to the same or failure to effectively promote the brands could materially and adversely impact our business and results of operations.

We believe our success depends substantially on the popularity of our brand name “澳至尊” and the brand name of our products. As at the Latest Practicable Date, we operate our business under our “澳至尊” brand. We believe that brand recognition plays an important role in influencing consumers’ decisions in purchasing our products. We have invested significant effort and resources to establish brand recognition and have received various awards and recognitions. We believe that our continued success will depend largely on our ability to protect and enhance the value of our brand. Furthermore, as we continue to expand our sales network, our ability to market and promote our brand will remain critical to the success of our business. We enhance our brand awareness through various channels and methods. For details, please refer to the section headed “Business — Our Business Model — 3) Promotion and Marketing Activities” in this prospectus.

Any incident that erodes consumers’ trust in the brands could significantly reduce the brand value. As we continue to grow in size, expand our product range and extend our geographic reach, maintaining quality and consistency may become more 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.

We have spent significant marketing expenses to promote our brand, including the engagement of our brand spokespersons. In the event that there is any decline in popularity, or negative news on our spokespersons, in particular if such news relate to their health, our brand image may be tarnished and our sales and results of operations may be adversely affected.

We have registered the trademarks associated with the logo and the brand name of “Organic Nature” in Hong Kong, Macau, Singapore and the PRC. In case of the expiry or termination of our supply agreement with HCL, our Group may be requested by HCL to transfer the various trademarks we have registered or submitted applications associated with the “Organic Nature” brand to HCL. Further or alternatively, our registration of the trademarks associated with the “Organic Nature” brand may be challenged and invalidated by HCL (being the originator of the brand) for the reason of passing off. Our Group is willing to transfer the said trademarks if so requested by HCL. In any event, upon the expiry or termination of our supply agreement with HCL, our Group will cease to use the “Organic Nature” brand and marks on our products. In the meantime, we may not be able to replace the “Organic Nature” brand by other brands. Our business, financial condition and results of operation may therefore be materially adversely affected.

A possible slowdown in Hong Kong market may adversely affect our business, results of operations and financial performance.

For the three years ended 31 March 2016, 94.2%, 88.8% and 88.2% of our total revenue, respectively, were derived from sales in our largest market, Hong Kong. We may continue to derive a significant portion of our turnover from Hong Kong. Our sales and profitability in relation to Hong Kong

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could be negatively affected by a number of factors, including general economic conditions and demand for our products, adverse publicity relating to our products, competition, or success of the marketing or sales of products of our competitors in Hong Kong.

Additionally, the proximity to China has driven mainland Chinese visitors to Hong Kong to purchase health and personal care products which have contributed to the overall rise in sales of our products in Hong Kong. With the perception of having better quality products in Hong Kong, as well as lower prices due to absence of taxes on imported goods, mainland Chinese visitors would buy products in bulk for friends and family back home. At the same time, with significant purchases made by the visitors from mainland China, our business will be affected when visitor arrivals from mainland China fall.

There have been increasing concerns over the sustainability of the market growth in Hong Kong due to the combination of the following events including (i) anti-mainlander protests in Hong Kong such as “Occupy Central” and “Anti-parallel Trading Protests” which have resulted in the drop of mainland Chinese visitors to Hong Kong; (ii) the PRC government’s decision to limit Shenzhen residents to visit Hong Kong once a week with effect from April 2015 which has also resulted in the drop in the number of mainland Chinese visitors to Hong Kong; and (iii) the devaluation of RMB since late 2014, leading to the weakened purchasing power of mainland Chinese visitors. Our Directors consider that the above events had adversely impacted the sales of our products along with the slowdown of the number of the mainland Chinese visitors to Hong Kong. If any of the said events happen in the future, our business, financial condition and results of operation may be adversely and materially affected.

We could be adversely affected by a change in consumer preferences, perception and spending habits and failure to develop or enrich our product offering or gain market acceptance of our new products could have a negative effect on our business.

The health supplement market is subject to changes in consumer preference, perception and spending habits. Our performance depends significantly on factors which may affect the level and pattern of consumer spending in Hong Kong. Such factors include consumer preference, consumer confidence, consumer income and consumer perception of the safety and quality of our products. Media coverage regarding the safety or quality of, or diet or health issues relating to, health supplements or the raw materials, ingredients or processes involved in their manufacturing, may damage consumer confidence in our products. A general decline in the consumption of our products could occur as a result of change in consumer preference, perception and spending habits at any time.

Any failure to adapt our product offering to respond to such changes may result in a decrease in our sales if such changes are related to certain of our products. Any changes in consumer preference could result in lower sales of our products, put pressure on pricing or lead to increased levels of selling and promotional expenses. In any event a decrease in customer demand on our products may also result in lower sales and slow down the consumption of our inventory to a low inventory turnover level. Any of these changes could result in a material adverse effect on our business, financial conditions or results of operations. Approximately HK\$5.4 million or 54.8% of our inventories as at 31 March 2016, had been subsequently sold up to 30 June 2016.

The success of our products depends on a number of factors including our ability to accurately anticipate changes in market demand and consumer preferences, our ability to differentiate the quality of our products from those of our competitors, and the effectiveness of our marketing and advertising campaigns for our products. We may not be successful in identifying trends in consumer preferences and developing products that respond to such trends in a timely manner. We also may not be able to effectively promote our products by our marketing and advertising campaigns and gain market acceptance. If our products fail to gain market acceptance, are restricted by regulatory requirements, or

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have quality problems, we may not be able to fully recover our costs and expenses incurred in our operation, and our business prospects, financial condition or results of operations may be materially and adversely affected.

We may incur losses resulting from product liability claims that exceed the coverage of product liability insurance provided by Homart and Bee Wonderful respectively or product recalls.

We may incur losses resulting from product liability claims with respect to our products supplied by Homart under “Top Life” brand and “Golden Hive” brand and products supplied by Bee Wonderful under “Superbee” brand. Although each of Homart and Bee Wonderful maintain product liability insurance covering product liability arising from the sales of their products under “Top Life” brand, “Golden Hive” brand and “Superbee” brand respectively, we may face claims or liabilities beyond the scope of the insurance coverage. Such claims may arise if there exist any defects in quality of these products or any of these products are deemed or proven to be unsafe, defective or contaminated. In the event that the use or misuse of any product distributed by us results in personal injury or death, product liability and/or indemnity claims may be brought against us, in addition to our product recalls, and the relevant regulatory authorities in Hong Kong and Macau may close down some of our related operations and take administrative actions against us. If we experience any business disruption and litigation, we may incur additional costs and have to divert our management’s attention and resources on such matters, which may adversely affect our business, financial condition and results of operations.

During the Track Record Period, we had not received any material product liability claims from third parties in relation to the use of our products under “Top Life” brand, “Golden Hive” brand and “Superbee” brand. We cannot guarantee that such claims will not be filed against us in the future. A substantial claim or a substantial number of claims against us, if successful, would have a material adverse effect on our reputation, business, financial condition and results of operations. Although we have product liability insurance provided by Homart and Bee Wonderful for their respective products, the coverage may not be sufficient to cover the amount of damages. If any of these products are alleged to be harmful, we may experience reduced sales of these products and may have to recall these products from the market. Any claims against us or any product recalls, regardless of merit, can strain our financial resources and consume the time and attention of our management. If any claims against us are successful, we may incur monetary liabilities, and our reputation may be severely damaged.

The existence of products imported by parallel traders in the Hong Kong and/or PRC markets via e-commerce platforms may damage our brand and reputation and have a material adverse effect on our business, financial condition, results of operations and prospects.

Certain health products distributed or sold in the Hong Kong and/or PRC markets via e-commerce platforms, may be sourced and imported by parallel traders without proper licenses, approvals or authorisation. Such health products may be sold at lower prices than products from the authorised distributors due to their lower operation and promotion costs, and in some cases are defective in quality. Parallel imported health products may or may not have the same quality in content as their authorised counterparts. Any sale of parallel imported health products by others under our brand names may subject us to negative publicity and reputational damage. Moreover, from time to time, the appearance of parallel imported health products of defective product quality in the e-commerce platforms in Hong Kong and the PRC may build up a negative image of our health products, and may severely harm the reputation and brand names of our Company.

Furthermore, our competitors may introduce certain products under our existing exclusive distribution rights directly from Australia or other countries and sell in e-commerce platforms in Hong Kong and the PRC. We would not be able to exclude other distributors from selling parallel imported goods through the e-commerce platforms in Hong Kong and the PRC. As a result of the above

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mentioned factors, many of which are beyond our control, we cannot assure you that we will be able to maintain a positive reputation or brand names and there could be a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to the risk of competition from the internet retailing of certain products similar to ours by our competitors and other traders via online shopping platforms.

Promoting and selling health supplements through internet retailing is another trend in the market. Among the diversified sales channels, internet retailing has demonstrated a remarkable growth. As no patent is involved in the production process of our products, our competitors and other traders may launch internet retailing of certain products similar to ours via online shopping platforms. Competition is expected to further intensify mainly due to (i) the increase in number of competing products and; (ii) the entry of new competitors via online shopping platforms, which incur a lower operating cost than those of our physical consignment stores and specialty stores. If we are unable to remain competitive, we may lose market share to our competitors and new entrants to our markets. Hence, our financial performance would be adversely affected.

RISK RELATING TO OUR SALES

We are exposed to concentration risk of heavy reliance on sales through consignees and third-party retailers for our sales and we lack control over them.

We sell most of our products through consignees. For the three years ended 31 March 2016, revenue from sales through consignees accounted for 89.1%, 78.3% and 75.5%, respectively, of our total revenue. We rely on sales through consignees and third-party retailers for our sales and as a result, our business, financial condition and operating results depend on the continuous contribution of sales revenue through consignees and third-party retailers and our continuous relationship with them. We expect that sales through consignees will remain important in the expansion of our business.

In particular, sales through our top consignee, which is a major personal care product retail chain accounted for 52.3%, 44.2% and 43.1% of our total revenue for the three years ended 31 March 2016, respectively. Our heavy reliance on our top consignee for sales revenue will have significant impact on our business and results of operation if any uncontrollable adverse event happens on this top consignee. There is no assurance that it will continue the consignment arrangement with us, whether on similar terms as the existing arrangements or at all, and the termination or unfavourable change in the terms of such arrangements may significantly affect our business and results of operations.

We have no ownership or managerial control over any of our consignees and other third-party retailers. We cannot assure you that our consignees and third-party retailers will at all times strictly adhere to the terms and conditions under our sales and consignment agreements. Any wrongdoing of the consignees or their employees, such as corruption or deliberate contamination of or tampering with our products may harm our business or give rise to product liability claims or customer complaints against us. In addition, most of our consignees and third-party retailers sell products produced by other producers that may compete directly with our products, which may, in certain circumstances, hinder or impact our consignees' and third-party retailers' ability or incentive to maximise sales of our products. If any of our consignees and third-party retailers fails to distribute our products in a timely or effective manner or in accordance with the terms of our sales and distribution agreements, or at all, or if our sales and consignment agreements are suspended, terminated or otherwise expired without renewal, our business, financial condition and results of operations may be materially and adversely affected.

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The consignees and third-party retailers may not be able to market and sell our products successfully or maintain their competitiveness as a result of various factors. For example, the third-party retailers may not be able to find suitable locations to operate retail shops and retail points, and they may not be able to renew their leasing contracts with lessors upon expiration, both of which may adversely affect our third-party retailers' operations and competitiveness. If the sales volumes of our products to the consumers are not maintained at a satisfactory level, our consignees and third-party retailers may not place orders for new products with us, or they may reduce orders or ask for discount on purchase price. The loss of our consignees and third-party retailers, reduced orders from them or reduce in sales price, could adversely affect our access to consumers and/or our sales volume and revenue. For more information relating to the movement in the number of our distributors and third-party retailers during the Track Record Period, please refer to the section "Business — Sales and Distribution" in this prospectus.

If we fail to successfully maintain our relationships with a significant number of consignees and third-party retailers or our consignees and third-party retailers fail to operate successfully, our ability to effectively sell our products in that territory could be negatively impacted. Accordingly, our corporate and product image may be negatively affected, possibly resulting in loss of customers and a decline in sales. In addition, our self-operated specialty stores and retail points of our third-party retailers selling similar products may result in marketing overlaps, cannibalisation or even competition among our specialty stores or retail points. This in turn could result in lower revenue for our retail shops.

All overdue trade receivables as at 31 March 2014 and 2015 and approximately 97.9% of our trade receivables as at 31 March 2016 have been subsequently settled as at the Latest Practicable Date. If such consignees and third-party retailers do not make payment to us timely or at all, our liquidity may be adversely affected and we may have to write off receivables or increase provisions against receivables, which could materially and adversely affect our results of operations and financial position.

As all our specialty stores are leased properties, we are exposed to risks relating to the commercial real estate rental market. We may have disputes with our landlords, and if we cannot secure renewal of existing leases on commercially favourable terms, our business, results of operations and ability to implement our growth strategy will be adversely affected.

We lease all the properties on which our specialty stores operate. Accordingly, occupancy costs account for a significant portion of our operating expenses. For the three years ended 31 March 2016, property rentals for our specialty store premises amounted to HK\$7.5 million, HK\$16.1 million and HK\$16.1 million, respectively, representing 3.8%, 7.1% and 7.6% of revenue from our sales during the respective years. Rental costs for premises that are suitable for opening specialty stores may continue to increase. The lease agreements for our specialty stores typically have an initial term ranging from one to three years. Our substantial operating lease obligations expose us to potentially significant risks, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes.

We anticipate that the rent will increase during term or after the initial term at a fixed rate or at the then prevailing market rate. In addition, many of our leases require us to pay turnover rent, determined as a percentage of our cash sales at our specialty stores. Where we do not have an option to renew a lease agreement, we must negotiate the terms of renewal with the landlord, who may insist on an increase in rent and/or a significant modification to the terms and conditions of the lease. In relation to our existing leases, we may have disputes with our landlords in relation to our existing tenancies, with risks of claims or litigation, and we may not be able to renew our existing tenancies.

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We compete with other retailers for prime locations in a highly competitive market for retail premises. There is no assurance that we will be able to enter into new lease agreements for attractive locations or renew existing lease agreements on commercially favourable terms, if at all. Therefore, any inability to obtain leases for desirable retail shop locations on commercially favourable terms could have a material adverse effect on our business and results of operations.

Further, if a lease agreement is renewed at a rent substantially higher than the existing rent or any existing favourable terms granted by the landlord, are not extended, we must evaluate whether renewal on such modified terms is in our interest. If we are unable to renew leases for our specialty store premises, we will have to close or relocate the relevant specialty store, which would lead to loss of sales that the specialty store would have contributed during the period of closure, and could subject us to installation and renovation and other costs and risks at new store premises. In addition, the revenue and any profit generated at a relocated store may be less than the revenue and profit previously generated at the closed store. Therefore, any inability to renew existing leases on commercially favourable terms could have a material adverse effect on our business and results of operations.

Our current specialty store locations may become unattractive, and we may not be able to identify and obtain attractive new locations at reasonable terms, if at all, as we face intense competition with other retailers for quality sites.

Currently, most of our specialty stores in Hong Kong are situated at MTR stations. The success of any specialty store depends in substantial part on its location. There can be no assurance that our current specialty store locations will continue to be attractive. Changes by our landlord may adversely affect flow of customers to our store locations and our business. The competition to procure locations with a relatively high pedestrian traffic is intense. If our current specialty store locations become unattractive and we cannot obtain desirable locations at reasonable terms, our ability to implement our growth strategy may be adversely affected.

Fluctuations in currencies against the Hong Kong dollars could affect our profitability.

Our purchases are mainly made in Australian dollars. As a result, we incur transactional foreign currency gains or losses from our operations. For the three years ended 31 March 2016, our net foreign exchange differences amounted to a gain or (loss) of HK\$0.3 million, net loss HK\$(0.6) million and HK\$(1.2) million, respectively. The depreciation of Australian dollars, which started in August 2014, has also resulted in lower prices of our imported health and personal care products.

On the other hand, the depreciation of RMB did not have an obvious impact on the health and personal care products market of Hong Kong in 2014 as the depreciation on RMB started to happen around December 2014. However, the depreciation of RMB has led to the weakened purchasing power of the mainland Chinese visitors, which may negatively affect our sales performance.

We believe that any material increases in the value of Australian dollars relative to Hong Kong dollars will increase our costs of sales relative to our revenue and affect our profitability. We also consider that the depreciation of RMB will further weaken the purchasing power of mainland Chinese visitors. The currency risk could have significant impact on our profitability, which in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

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We may be exposed to intellectual property infringement claims by third parties, which could disrupt our business and cause us to incur substantial legal costs, or damage our reputation.

Any occurrence of counterfeiting or imitation could impact negatively on our reputation and brand name, and could result in a reduction of our market share, cause a long-term or even permanent decline in our sales and profitability as well as increasing our administrative costs in respect of detection and prosecution.

We consider our trade secrets, trademarks, trade name and other intellectual property to be material for our business. From time to time, our intellectual properties may have been used or infringed by third parties. Preventing intellectual property infringement may be difficult, costly and time-consuming, and continued unauthorised use of our intellectual properties by unrelated third parties may damage our reputation and brand image. If we are unable to adequately protect our trademarks, trade secrets and other intellectual property rights, we may lose these rights, our brand image may be harmed, and our competitive position and business may suffer.

We may face claims of infringement of third parties' intellectual property rights and claims for indemnification resulting from such infringement. In addition, we may be unaware of intellectual property registrations or applications relating to our products or business operations that may give rise to potential infringement claims against us. There may also be technologies relied on us that are subject to infringement or other corresponding allegations or claims by third parties.

Parties making infringement claims may be able to obtain an injunction to prevent us from delivering our products or using relevant technology. Intellectual property litigation is expensive and time-consuming and could divert management's attention from our business. A successful infringement claim against us could require us to pay substantial damages, develop non-infringing technology, or enter into royalty or licence agreements that may not be available on acceptable terms, if at all, and cease manufacturing, selling or using products that have infringed a third party's intellectual property rights. Any intellectual property claim or litigation, regardless of whether we ultimately win or lose, could damage our reputation and have a material adverse effect on our business, results of operations or financial condition.

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

Our future success depends heavily on the continued services of our executive Directors, senior executives and other key employees. In particular, we rely on the expertise, experience and leadership of our executive Directors and our senior management, who play a vital role in our operation. If one or more of our executive Directors, senior executives or other key employees are unable or unwilling to continue 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.

Moreover, we may not be able to attract or retain skilled employees or key personnel. The competition for quality personnel may also drive up our labour costs, which would in turn increase our costs of operations and affect our profitability. In such circumstances, our business, financial condition and results of operations may be materially and adversely affected.

Wrongdoing by our employees and outsiders may harm our business.

The cash sales in our specialty stores are handled by our staff. We may be susceptible to pilferage, theft, fraud, bribery, corruption or even the deliberate contamination of or tampering with our products by our staff, our customers or other third parties. Such wrongdoing may harm our reputation, give rise to product liability claims or customer complaints and adversely affect our business and

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operating results. Please refer to the section headed “Business — Internal Control Measures” in this prospectus for further information on our internal monitoring systems. Despite our internal control system, we may be unable to prevent, detect or deter all such instances of pilferage, fraud, theft, bribery, corruption, or even the deliberate contamination of our products and other misconduct. Such instances committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business, results of operation and financial condition.

There were incidents of non-compliance with Hong Kong laws and regulations by us.

There are some incidents where our Hong Kong subsidiaries had failed to comply with certain regulatory requirements, including (i) certain advertisements of our products in the Track Record Period might contravene sections 3 and/or 3B of the UMAO due to certain restricted words being used in the advertisements of our Group’s products; (ii) non-compliance arising from late and inaccurate tax filings under the IRO; and (iii) non-compliance arising from late filing of import and export declarations for importations into and exportations from Hong Kong under the IAE Ordinance. For details of the non-compliance, please refer to the section headed “Business — Non-compliance Matters” in this prospectus. Any enforcement action on such non-compliance may give rise to fines, administrative penalties and/or prosecution against us, which may adversely affect our reputation, financial condition or results of operation.

We operate in a heavily regulated industry.

Our business is principally regulated by various laws and regulations in Hong Kong, such as the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong), the Food and Drugs (Composition and Labelling) Regulations (Chapter 132W of the Laws of Hong Kong), the UMAO, the Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong), the Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong), the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) and the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). We are also subject to the relevant sub-legislations and regulations under the above ordinances.

Various registrations, certificates and/or licences for the conduct of our business are required under the above laws, which also contain provisions for requirements on the storage, labelling, advertising and importation of some of our products. For details, please refer to the section headed “Regulatory Overview” in this prospectus.

Based on our experience, some of the laws and regulations of the places where we operate our business are subject to amendments, uncertainty in interpretation and administrative actions 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 licenses. 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.

Legal disputes or proceedings could expose us to liability, divert our management’s attention and negatively impact our reputation.

We may at times be involved in potential legal disputes or proceedings during the ordinary course of business operations relating to product or other types of liability, employees’ claims, labour disputes or contract disputes that could have a material and adverse effect on our reputation, operation and financial condition. If we become involved in material or protracted legal proceedings or other legal disputes in the future, the outcome of such proceedings could be uncertain and could result in

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settlements or outcomes which adversely affect our financial condition. In addition, any litigation or legal proceedings could incur substantial legal expenses as well as significant time and attention of our management, diverting their attention from our business and operations.

RISKS RELATING TO OUR STRATEGY AND FUTURE PLANS

Our strategy of expansion may not be as successful as we expect.

As part of our business strategy, we plan to expand our distribution and retail network to grow our business. The success of our expansion plan is subject to numerous factors including the following:

- the availability of adequate management and financial resources;
- the availability of suitable consignees, distributors, third-party retailers and premises for our specialty stores;
- our ability to negotiate favourable cooperation terms with our consignees and third-party retailers;
- our ability to comply with the relevant local laws and regulations and the costs involved with such compliance;
- our ability to hire, train and retain skilled personnel to manage and operate our sales networks;
- the fluctuation of costs for our supplies;
- the fluctuation of the local currency;
- the adaptation of our logistics and other operational and management systems to our expanded distribution and retail networks; and
- market demand for our products.

Furthermore, we may fail to anticipate and adapt to the competitive conditions in the new expanded distribution and sales networks that are different from those in our existing markets. Accordingly, we may not be able to achieve our expansion goals or effectively integrate new consignees, third-party retailers and specialty stores into our existing network. If we encounter any difficulty in expanding our sales networks, our growth prospects may be adversely affected, which could in turn have a material adverse effect on our business, financial condition and results of operations.

As we intend to continue to broaden our product offering, we may procure products from new suppliers, with which we have no previous business relationship. In the event that such new suppliers fail to deliver products that meet our requirement or of satisfactory quality, our operation and reputation may be adversely affected and customers may make product liability claims or complaints against us.

If our expansion plan proves to be unsuccessful, or if we fail to obtain sufficient funding for our expansion plans, our business and growth prospects may be adversely affected.

We expect that we will have to incur certain pre-operating expenses of our new specialty stores for our sales network expansion plan. In the event that our expansion plan proves to be unsuccessful, our overall cash flow position, as well as our profitability, may be materially and adversely affected. We believe that our current cash and cash equivalents, anticipated cash flow from operations and the

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proceeds from this Global Offering will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months from the date of this prospectus. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of our new specialty store opening, investment in new specialty stores and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing by selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in dilution of the shareholding of our existing Shareholders. The incurrence of indebtedness will result in increased debt service obligations and could result in operating and financing covenants that may restrict our expansion plans and operations or our ability to pay dividends. If we fail to service the debt obligations or become unable to comply with any debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

Our ability to obtain additional capital on acceptable terms is subject to a variety of factors and uncertainties, some of which are beyond our control, including the general economic and capital market conditions, credit availability from banks or other lenders, investors' confidence in us, the performance of the health supplement market in general, and our operating and financial performance in particular. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, if at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations and growth prospects may be adversely affected.

Opening of new specialty stores could result in fluctuations in our financial performance.

Our operating results have been, and in the future may continue to be, significantly influenced by the timing of opening and performance of new specialty stores (often affected by factors beyond our control), including initially higher operating costs. New specialty stores also incur expenses before opening such as rental expenses.

Our progress in opening new specialty stores from period to period may occur at an uneven rate. Accordingly, the number and timing of new specialty store opening has had, and may continue to have, impact on our profitability. As a result, our results of operations may fluctuate significantly from period to period and comparison of different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

RISKS RELATING TO OUR INDUSTRY

Our business and reputation may be affected by product liability claims, litigation, customer complaints, product tampering, food safety issues, food-borne illnesses, health threats, quality control concerns or adverse publicity relating to our products or the health supplement industry. Product liability insurance of our suppliers may not cover our liability sufficiently or at all.

Like other consumer product manufacturers, our sale of health supplement products and honey and pollen products involves an inherent risk of our products being found to be unfit for consumption or cause illness. Products may be rendered unfit for consumption due to raw materials or product contamination or degeneration, presence of microbials, illegal tampering of products by unauthorised third parties or other problems arising during the various stages of the procurement, production, transportation and storage processes. The occurrence of such problems may result in customer complaints, fines, penalties or adverse publicity causing serious damage to our reputation and brand, as well as product liability claims, other legal disputes and loss of revenues. Under certain circumstances, we may be required to recall our products. Even if a situation does not necessitate a product recall, we cannot assure you that product liability claims or other legal disputes will not be asserted against us as a

RISK FACTORS

result. Product liability insurance of our suppliers may not cover our liability sufficiently or at all and will not cover liability that arises out of our default such as mishandling, poor storage condition and/or contamination of the products by us, our distributors, our consignees, or our respective employees. As a result, a product liability or other judgment against us, or a product recall, could have a material adverse effect on our business, financial condition or results of operations.

Like other food and health supplement businesses, our business is susceptible to food-borne illnesses. We cannot assure you that our quality control measures are able to effectively prevent all diseases or illnesses caused by our products or contamination of our products. Furthermore, our reliance on third-party health supplement product and honey and pollen product suppliers means that food-borne illness incidents could be caused by our suppliers outside of our control. New illnesses may develop in the future, or diseases with long incubation periods could arise that could give rise to claims or allegations on a retroactive basis. Reports in the media of instances of food-borne illnesses or health threats of our products or any of their major ingredients could adversely and significantly affect our sales, and have significant negative impact on our results of operations. This risk exists even if it were later determined that the illness or health threat in fact was not caused by our products.

In addition, adverse publicity about health and safety concerns, whether unfounded or not, may discourage consumers from buying our products. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused personal injury or illness could adversely affect our reputation and our corporate and brand image. If consumers were to lose confidence in our brand and reputation, we could suffer long-term or even permanent declines in our sales and results of operation. The amount of negative news, customers complaints and claims against us may also be very costly and may divert our management's attention from our business operation.

We face intense competition, and if we fail to compete effectively, we may lose market share and our results of operation may be adversely affected.

The health and personal care product industry in Hong Kong is highly competitive, and we expect it to become even more competitive. Some of our competitors may have been in business longer than we have and may have substantially greater financial, research and development, marketing and other resources than we have. We cannot assure you that our current or potential competitors will not provide products comparable or superior to those we provide or adapt more quickly than we do to evolving industry trends or changing market requirements. It is also possible that there will be mergers and acquisition among our competitors or alliances may develop among competitors and these alliances may rapidly acquire significant market share, or that some of our competitors may commence sales of products similar to those we sell.

Furthermore, competition may lead our competitors to increase substantially their advertising expenditures and promotional activities or to engage in irrational or predatory pricing behaviour. We cannot assure you that we will be able to compete effectively against current and future competitors. We cannot assure you that third parties will not actively engage in activities, whether legal or illegal, designed to undermine our brand and product quality or to influence consumer confidence in our products. Increased competition may result in price reduction and loss of market share, any of which could have a material adverse impact on our profit margin.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.

Prior to the Global Offering, no public market for our Shares existed. Following the completion of the Global Offering, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for our Shares will develop or be sustained after the Global Offering. In addition, we cannot assure you that our Shares will trade in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by agreement among the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, and is not indicative of the market price of the Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of Shares could be materially and adversely affected.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the trading price performance of other companies in similar health supplement business based in Asia may affect the trading price of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income, cash flow, profits and dividends could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall when the trading of our Offer Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be about four business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price or value of our Shares could fall when trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The sale or availability for sale of substantial amounts of our Shares could adversely affect their trading price.

Sales of substantial amounts of our Shares in the public market after the completion of the Global Offering, or the perception that such sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

RISK FACTORS

The Shares owned by our existing Shareholders are subject to certain lock-up periods. There can be no assurance that they will not dispose of these Shares following the expiration of the lock-up periods, or any Shares they may come to own in the future. We cannot predict what effect, if any, significant future sale will have on the market price of our Shares.

The Offer Price of our Shares is higher than our net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.

If you purchase our Shares in the Global Offering, you will pay more for your Shares than our net book value on a per Share basis. As a result, investors of our Shares in the Global Offering will experience an immediate dilution in the net tangible asset value and our existing Shareholders will receive an increase in the pro forma adjusted combined net tangible asset value per Share of their Shares. In addition, holders of our Shares may experience a further dilution of their interest if the Sole Global Coordinator (for itself and on behalf of the Underwriters) exercises the Over-allotment Option or if we obtain additional capital in the future through equity offering.

We have adopted the Share Option Scheme, details of which are set out in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus. Issuance of Shares pursuant to the exercise of the options granted or to be granted under the Share Option Scheme will result in an increase in the number of Shares in issue after the issuance and thereby will cause dilution to the percentage of ownership of the existing Shareholders and the earnings per Share, and may cause dilution to the net asset value per Share.

You should not place undue reliance on facts, forecasts and other statistics in this prospectus relating to the economy and our industry.

Certain facts, forecasts and other statistics in this prospectus relating to the economy and the dietary supplement industries on an international, regional and specific country basis have been collected from materials from official government sources or other unofficial sources. While we have exercised reasonable care in compiling and reproducing such information and statistics, we cannot assure you nor make any representation as to the accuracy or completeness of such information. Neither we or any of our respective affiliates or advisers, nor the Underwriters or any of its affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from these sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate. Statistics, industrial data and other information relating to the economy and the industry derived from sources used in this prospectus may not be consistent with other information available from other sources and therefore, investors should not unduly rely upon such facts, forecasts and statistics while making investment decisions.

Our financial results are expected to be affected by the expenses in relation to the Global Offering.

Our financial results will be affected by the expenses in relation to the Global Offering. The total estimated listing-related expenses in connection with the Global Offering (inclusive of underwriting fee) are approximately HK\$42.1 million, of which HK\$2.1 million and HK\$13.0 million has been charged to our combined statement of profit or loss and other comprehensive income for the two years ended 31 March 2016, and approximately HK\$8.9 million is expected to be charged to our combined statement of profit or loss and other comprehensive income for the remaining months of the year ending 31 March 2017 and approximately HK\$18.1 million is expected to be capitalised as deferred expenses and charged against equity upon the Global Offering under the relevant accounting standard. Therefore, our financial results for the year ending 31 March 2017 will be affected by the expenses in relation to the Global Offering.

RISK FACTORS

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements that are “forward-looking” and uses forward looking terminology such as “anticipate”, “estimate”, “believe”, “expect”, “may”, “plan”, “consider”, “ought to”, “should”, “would”, and “will”. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operation, liquidity and capital resources.

Purchasers of our Offer Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information. Please see the section “Forward-looking Statements” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ABOUT THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Global Offering to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Global Coordinator, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of their respective directors or any other person involved in the Global Offering.

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 for the Offer Shares should find out for themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

OFFER SHARES ARE FULLY UNDERWRITTEN

The prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by Ample Capital Limited. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Placing is expected to be fully underwritten by the International Placing Underwriters. The Global Offering is lead managed by Ample Orient.

If, for any reason, the Offer Price is not agreed among our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further information, please refer to the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 3 August 2016. If, for whatever reason, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are not able to agree on the Offer Price by Wednesday, 3 August 2016, the Global Offering will not proceed.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme).

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

OFFER SHARES TO BE OFFERED IN HONG KONG ONLY

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

Each person acquiring the Offer Shares will be required under the Global Offering and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

SHARE REGISTERS AND STAMP DUTY

All Shares to be allotted and issued pursuant to the Capitalisation Issue, the Global Offering, the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme will be registered on our branch register of members to be maintained in Hong Kong by our Hong Kong Share Registrar. Our Company's principal register of members will be maintained by our principal share registrar and transfer office, Estera Trust (Cayman) Limited at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

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

Unless determined otherwise by our Company, dividends payable in HK dollars in respect of the Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named Shareholder therein in accordance with the Articles of Association.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, the Shares on the Stock Exchange 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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 stockbrokers or other professional advisers for details of those settlement arrangements and how 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 Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in our Shares. It is emphasised that none of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Sponsor, any of their respective directors, supervisors, agents or advisers or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of Offer Shares.

STABILISATION AND OVER-ALLOTMENT

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Global Offering, we intend to grant to the International Placing Underwriters the Over-allotment Option, which is exercisable in full or in part by the Sole Global Coordinator (on behalf of the International Underwriters) within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to issue and allot up to an aggregate of 28,124,000 Shares (in aggregate representing approximately 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocation in the International Placing.

Further details with respect to stabilisation and the Over-allotment Option are set out in the sections headed “Structure of the Global Offering — Over-allotment Option” and “Structure of the Global Offering — Stabilisation” in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

The procedure for application for Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares and Employee Reserved Shares” in this prospectus and on the relevant Application Forms.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Tuesday, 9 August 2016.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares is 2031.

The Company will not issue any temporary documents of title.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure and conditions of the Global Offering are set out in the section headed “Structure of the Global Offering” in this prospectus.

EXCHANGE RATE

Unless otherwise specified, for the purpose of this Prospectus, following exchange rates were used as follows:

<u>Country</u>	<u>Unit</u>	<u>Rate</u>
China	HKD per RMB	1.20
Macau	HKD per MOP	0.99
Singapore	HKD per SGD	5.73
Australia	HKD per AUD	5.94
Japan	HKD per JPY	0.069

ROUNDING

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

LANGUAGE

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Choy Chi Fai (蔡志輝)	Flat C, 12/F, Block 10 Laguna City 21 Laguna Street Kowloon Hong Kong	Chinese
Ms. Ho Ka Man (何家敏)	Flat D, 12/F, Block 10 Laguna City 21 Laguna Street Kowloon Hong Kong	Chinese
Mr. Ho Chun Kit, Saxony (何俊傑)	Flat B, 50/F Tower 11 Ocean Shores 88 O King Road Tseung Kwan O Hong Kong	Chinese
Mr. Au Chun Kit (區俊傑)	Flat C, 29/F Park Metropolitan 8 Yuet Wah Street Kwun Tong Kowloon Hong Kong	Chinese
Independent non-executive Directors		
Dr. Luk Ting Kwong (陸定光)	Unit A, 1/F, Block 2 Richwood Park 33 Lo Fai Road Taipo New Territories Hong Kong	Chinese
Mr. Ko Ming Kin (高銘堅)	Flat F, 12/F Block 1 Ko Fung Court Harbour Heights North Point Hong Kong	Chinese
Mr. Wan Cho Yee (尹祖伊)	Flat A, 32/F, Block 1 Tierra Verde Tsing Yi New Territories Hong Kong	American

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

Sponsor	Ample Capital Limited 14A Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong
Sole Global Coordinator	Ample Orient Capital Limited Unit 902, Far East Consortium Building 121 Des Voeux Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	Ample Orient Capital Limited Unit 902, Far East Consortium Building 121 Des Voeux Road Central Hong Kong Great Roc Capital Securities Limited Room 3712, 37/F West Tower, Shun Tak Centre 168–200 Connaught Road Central Hong Kong Ping An Securities Limited Unit 02, 2/F, China Merchants Building 152–155 Connaught Road Central Hong Kong
Co-Managers	Astrum Capital Management Limited Room 2704, 27/F Tower 1, Admiralty Centre 18 Harcourt Road Hong Kong Celestial Capital Limited 21/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong China-Hong Kong Link Securities Company Limited 17/F, 80 Gloucester Road Wanchai Hong Kong Convoy Investment Services Limited 24C, @CONVOY 169 Electric Road North Point Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Gransing Securities Co., Limited
Room 805–6, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Opus Capital Limited
18/F, Fung House
19–20 Connaught Road Central
Central
Hong Kong

Oriental Patron Securities Limited
27/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Orient Securities (Hong Kong) Limited
28/F–29/F, 100 Queen's Road Central
Central
Hong Kong

Pacific Foundation Securities Limited
11/F, New World Tower II
16–18 Queen's Road Central
Hong Kong

Quam Securities Company Limited
18/F, China Building
29 Queen's Road Central
Hong Kong

SBI China Capital Financial Services Limited
Unit A2, 32/F, United Centre
95 Queensway
Hong Kong

Sun International Securities Limited
Unit 2412–13, 24/F
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to our Company

As to Hong Kong law:

Christine M. Koo & Ip, Solicitors & Notaries *LLP*
Room 601, 6/F, Tower 1
Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

As to PRC law:

Jingtian & Gongcheng
34/F, Tower 3
China Central Place
77 Jianguo Road
Beijing 100025
China

As to Cayman Islands law:

Appleby
Room 2206–19, Jardine House
1 Connaught Place
Central
Hong Kong

As to Macau law:

Nuno Simões e Associados
Alameda Dr. Carlos D'Assumpção n.º 336
Edif. Cheng Feng, 17.º Andar, O
Macau

As to Singapore law:

Lim Hua Yong *LLP*
100 Jalau Sultan
Sultan Plaza #08–16
Singapore 199001

As to Australia law:

Wisewould Mahony Lawyers
Level 8, 419–425 Collins Street
Melbourne VIC 3000
Australia

Legal advisers to the Sponsor and the Underwriters

As to Hong Kong law:

Hastings & Co.
5/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to PRC law:

King & Wood Mallesons
55th Floor, Guangzhou International Financial Center
5 Zhujiang Xilu, Zhujiang New Town
Guangzhou, Guangdong 510623
China

Auditors and reporting accountants

Wellink CPA Limited
Rooms 803–4, Kin Wing Commercial Building
24–30 Kin Wing Street
Tuen Mun
Hong Kong

Crowe Horwath (HK) CPA Limited
9/F, Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

Industry consultant

Euromonitor International Limited
60–61 Britton Street
London
EC1M 5UX
United Kingdom

Property valuer

Asset Appraisal Limited
Rm 901, On Hong Commercial Building
No. 145, Hennessy Road
Wanchai
Hong Kong

Compliance Adviser

Ample Capital Limited
14A Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

Receiving banker

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

CORPORATE INFORMATION

Registered office	P.O. Box 1350, Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Head office and principal place of business in Hong Kong	Office E, 28/F, EGL Tower 83 Hung To Road Kwun Tong, Kowloon Hong Kong
Company's website	www.ausupreme.com <i>(Note: information on this website does not form part of this prospectus)</i>
Company secretary	Ms. Tang Wing Shan (鄧穎珊) <i>(CPA, CGA FCCA)</i> Office E, 28/F, EGL Tower 83 Hung To Road Kwun Tong, Kowloon Hong Kong
Authorised representatives	Mr. Choy Chi Fai (蔡志輝) Office E, 28/F, EGL Tower 83 Hung To Road Kwun Tong, Kowloon Hong Kong Ms. Tang Wing Shan (鄧穎珊) Office E, 28/F, EGL Tower 83 Hung To Road Kwun Tong, Kowloon Hong Kong
Audit Committee	Mr. Ko Ming Kin (<i>Chairman</i>) Mr. Wan Cho Yee Dr. Luk Ting Kwong
Remuneration Committee	Mr. Wan Cho Yee (<i>Chairman</i>) Mr. Ko Ming Kin Mr. Choy Chi Fai
Nomination Committee	Dr. Luk Ting Kwong (<i>Chairman</i>) Mr. Wan Cho Yee Mr. Choy Chi Fai
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

CORPORATE INFORMATION

Hong Kong branch share registrar and transfer office Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers Bank of China (Hong Kong) Limited
24–28 Carnarvon Road
Tsim Sha Tsui, Kowloon
Hong Kong

INDUSTRY OVERVIEW

The information that appears in this Industry Overview has been prepared by Euromonitor and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in the Company. The Directors believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor and set out in this Industry Overview has not been independently verified by our Group, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering and they do not give any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

EUROMONITOR REPORT

We commissioned Euromonitor to assess the opportunity and potential of the health supplements industry in Hong Kong, Macau, Singapore and mainland China. A total fee of US\$91,088 (equivalent to approximately HK\$704,738) (exchange rate: USD1=7.74HKD) was paid to Euromonitor for the preparation of the report.

Euromonitor, founded in 1972, is a global research organisation and private independent provider of business intelligence on industries, countries and consumers. In compiling and preparing the Euromonitor Report, Euromonitor used 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:

- Secondary research, which involved reviewing published sources including National statistics and official sources such as Census and Statistics Department Hong Kong, Macau — Statistics and Census Service, Department of Statistics Singapore and National Bureau of Statistics of China, company reports including audited financial statements where available, independent research reports, and data based on Euromonitor International's own research database.
- Primary research which involved interviews with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross check the consistency of data and research estimates.
- Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers.
- Consumer research, which involved an online survey on the awareness of health supplements in Hong Kong, was jointly run by EMI and a third party survey company, a premier global provider of sampling, data collection and data analytic solutions. For the study, 500 respondents from Hong Kong were collected and analysed.
- Review and cross-checks of all sources and independent analysis to build all final estimates including the size, shape, drivers and future trends of the health supplements market and prepare the final report.

INDUSTRY OVERVIEW

Euromonitor International based the Euromonitor Report on the following assumptions:

- The economy of Hong Kong, Macau, Singapore and mainland China is expected to maintain steady growth over the forecast period;
- The social, economic, and political environment of Hong Kong, Macau, Singapore and mainland China is expected to remain stable in the forecast period;
- There will be no external shock, such as financial crisis or raw material shortage that affects the demand and supply of health supplements services in Hong Kong, Macau, Singapore and mainland China during the forecast period;
- Key market drivers such as increase in per capita disposable income, rapid urbanization, rising health awareness, improved distribution network are expected to boost the development of the health supplements market;
- No further changes in policies relating to mainland Chinese' travels and goods purchase made in Hong Kong;
- Key drivers including increasing disposable income of residents in the Hong Kong, Macanese, Singaporean and mainland Chinese markets, rising health awareness among consumers and ageing population is likely to drive the future growth of Hong Kong, Macanese, Singaporean and mainland Chinese markets of health supplements.
- The following exchange rates were used throughout the report:

<u>Country</u>	<u>Unit</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
China	HKD per RMB	1.15	1.20	1.23	1.25	1.26	1.24
Macau.	HKD per MOP	0.97	0.97	0.97	0.97	0.97	0.97
Singapore	HKD per SGD	5.70	6.19	6.21	6.20	6.12	5.64

The research results may be affected by the accuracy of these assumptions and the choice of these parameters. The market research was completed in May 2015 and further updated in December 2015, March 2016, May 2016, June 2016 and July 2016 based on data available at the time of publishing and all statistics in the Euromonitor Report are based on information available at the time of reporting. Euromonitor's forecast data comes from analysis of historic development of the market, the economic environment and underlying market drivers, and is cross-checked against established industry data and trade interviews with industry experts.

HEALTH SUPPLEMENTS MARKET IN HONG KONG, MACAU, CHINA AND SINGAPORE

Market Overview

Hong Kong

Robust domestic consumer base for health supplements

While a significant group of people perceive health supplements to address their concern of health, most consumers of health supplement products hope to enhance their energy, immunity and overall health. Although females are typically targeted in marketing efforts, the consumer target groups for health supplements are growing bigger with increasing educational level and ease of access to products. Urban city development has also impacted health on different demographic areas, where late

Note: "Health supplements" mentioned in the "Industry Overview" section do not include tonics and bottled nutritive drinks.

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marriages and pregnancies have increased women's awareness of the need for pre-pregnancy and pregnancy nutrition, typically using docosahexaenoic acid (DHA), lecithin and calcium products. With life expectancy increasing as well, adults are seeking health supplements in the hope to achieve a more youthful and well balanced health status.

Consumers making more informed decisions

With the high household penetration of internet and smartphones, consumers not only are making purchases of health supplements more frequently via online channels, but knowledge and exposure to the benefits of health supplements has become much easier to research online. Higher education level of the population has also contributed to the increased awareness and cautiousness to health nutrition, where consumers will compare products among brands, country of origin, active ingredients, and other characteristics before making an informed purchase.

Mainland Chinese visitors contributing to sales growth in Hong Kong

Geographic placement of the city-state also plays a major role in the growth of the health supplement retail market, as the influx of mainland Chinese visitors with high purchasing power spend more in Hong Kong, believing that products in Hong Kong are of higher quality and grade. These visitors' purchasing power is much higher than local residents, often purchasing baskets of higher transactional value.

According to the Euromonitor Report, during the review period from 2010 to 2014, there was an increase in the number of mainland Chinese visitors to Hong Kong, which had a positive impact on the health supplements sales. However, *The Census and Statistics Department Hong Kong* figures indicate that the number of mainland Chinese visitors that visited Hong Kong during January-March period of 2015 has decreased compared to those that visited during January-March period of 2014. With the mainland Chinese visitors contributing significantly to Hong Kong's health supplements industry, the decline is likely to have an impact on the market.

In fact, the anti-mainlander protests such as "Occupy Central" and "Anti-parallel Trading Protests" have affected the perception of the mainland Chinese towards Hong Kong to a certain extent. This has resulted in the drop of mainland Chinese visitors to Hong Kong. The effect was not so obvious in 2014, but has become more apparent in 2015. The PRC Government's decision to restrict Shenzhen residents to one Hong Kong visit a week starting April 2015 has also contributed to the drop in the number of mainland Chinese visitors to Hong Kong.

Trade sources have indicated that the declines in health supplements sales due to the drop in mainland Chinese visitors have also become more obvious in 2015 alongside with other consumer goods. Nonetheless, health supplements are still one of the more important products that mainland Chinese visitors consider purchasing during their visits to Hong Kong as some brands can only be found in Hong Kong and products are generally perceived to be safer and of better quality. In addition, the expansion of local customer base has helped the health supplements industry from suffering further declining sales. Although it is difficult to foresee when the Hong Kong tourism industry will be able to see positive growth in the number of mainland Chinese visitors, health supplement retailers have shared that they will be focusing on the local consumer base to maintain sales.

INDUSTRY OVERVIEW

Impact of the depreciation of Australian dollars and RMB is not so apparent in 2014

Table 1 **2014 Exchange rates of the Australian dollars against Hong Kong dollars (AUD1.0 = HKD)**

<u>Month</u>	<u>Monthly Average</u>	<u>Appreciation/Depreciation Rate</u>	<u>Quarter</u>	<u>Quarterly Average</u>	<u>Appreciation/Depreciation Rate</u>
January	6.87	N/A			
February	6.97	1.4%	1	6.96	N/A
March	7.04	1.1%			
April	7.22	2.6%			
May	7.22	-0.1%	2	7.24	4.0%
June	7.27	0.7%			
July	7.27	0.1%			
August	7.21	-0.9%	3	7.17	-0.9%
September	7.01	-2.8%			
October	6.81	-3.0%			
November	6.71	-1.4%	4	6.64	-7.4%
December	6.40	-4.7%			

2015 Exchange rates of the Australian dollars against Hong Kong dollars (AUD1.0 = HKD)

<u>Month</u>	<u>Monthly Average</u>	<u>Appreciation/Depreciation Rate</u>	<u>Quarter</u>	<u>Quarterly Average</u>	<u>Appreciation/Depreciation Rate</u>
January	6.26	-2.1%			
February	6.04	-3.5%	1	6.10	-8.0%
March	6.00	-0.7%			
April	6.00	0.1%			
May	6.12	1.9%	2	6.03	-1.2%
June	5.98	-2.3%			
July	5.74	-4.0%			
August	5.66	-1.4%	3	5.63	-6.7%
September	5.48	-3.2%			
October	5.59	2.1%			
November	5.54	-0.9%	4	5.59	-0.8%
December	5.62	1.4%			

2016 Exchange rates of the Australian dollars against Hong Kong dollars (AUD1.0 = HKD)

<u>Month</u>	<u>Monthly Average</u>	<u>Appreciation/Depreciation Rate</u>	<u>Quarter</u>	<u>Quarterly Average</u>	<u>Appreciation/Depreciation Rate</u>
January	5.46	-2.8%	1	5.61	0.4%
February	5.55	1.7%			
March	5.81	4.7%			
April	5.94	2.2%	2	N/A	N/A
May	5.67	-4.6%			

Source: Hong Kong Monetary Authority

INDUSTRY OVERVIEW

The depreciation of Australian dollars, which started in August 2014, has resulted in lower prices of imported health supplements. However, given that Australian dollars had been on the higher side prior to the depreciation and overhead costs for health supplement retailers are quite high in Hong Kong, distributors and retailers have maintained retail prices of products without adjusting them. Retailers are not focused on adjusting the prices of Australian health supplements as consumers who look for Australian health supplements show higher brand loyalty as a result of the quality of products rather than prices.

Table 2 **2014 Exchange rates of the Renminbi against Hong Kong dollars (RMB1.0 = HKD)**

<u>Month</u>	<u>Monthly Average</u>	<u>Appreciation/ Depreciation Rate</u>	<u>Quarter</u>	<u>Quarterly Average</u>	<u>Appreciation/ Depreciation Rate</u>
January	1.28	N/A			
February	1.28	-0.5%	1	1.27	N/A
March	1.26	-1.4%			
April	1.25	-1.0%			
May	1.24	-0.3%	2	1.24	-2.3%
June	1.24	0.1%			
July	1.25	0.5%			
August	1.26	0.7%	3	1.26	1.0%
September	1.26	0.3%			
October	1.27	0.3%			
November	1.27	-0.1%	4	1.26	0.3%
December	1.25	-1.0%			

2015 Exchange rates of Renminbi against Hong Kong dollars (RMB1.0 = HKD)

<u>Month</u>	<u>Monthly Average</u>	<u>Appreciation/ Depreciation Rate</u>	<u>Quarter</u>	<u>Quarterly Average</u>	<u>Appreciation/ Depreciation Rate</u>
January	1.25	-0.5%			
February	1.24	-0.6%	1	1.24	-1.5%
March	1.24	0.3%			
April	1.25	0.6%			
May	1.25	0.0%	2	1.25	0.6%
June	1.25	0.0%			
July	1.25	-0.1%			
August	1.22	-2.6%	3	1.22	-2.0%
September	1.21	-0.6%			
October	1.22	0.9%			
November	1.21	-0.6%	4	1.21	-1.4%
December	1.19	-1.8%			

INDUSTRY OVERVIEW

2016 Exchange rates of Renminbi against Hong Kong dollars (RMB1.0 = HKD)

Month	Monthly Average	Appreciation/ Depreciation Rate	Quarter	Quarterly Average	Appreciation/ Depreciation Rate
January	1.18	-1.1%	1	1.19	-1.7%
February	1.19	1.1%			
March	1.19	0.4%			
April	1.20	0.2%	2	N/A	N/A
May	1.19	-0.87%			

Source: Hong Kong Monetary Authority

The depreciation of RMB did not have an obvious impact on the health supplement market of Hong Kong in 2014 as the depreciation only started to happen around December 2014. Health supplement retailers in Hong Kong have indicated that the impact has become more noticeable in 2015 with there being fewer mainland Chinese visitors visiting Hong Kong. Nonetheless, they have also indicated that this has not only resulted in the depreciation of RMB leading to the weakened purchasing power of the mainland Chinese consumers, but it is rather a combination of events such as anti-mainlander protests such as “Occupy Central” and “Anti-parallel Trading Protests”.

Macau

Small but growing market in Macau for health supplements, fuelled by mainland Chinese visitors

With only a population of slightly over half a million residents, Macau has a small local market for health supplements. Nonetheless, the industry’s positive growth is reflected by the increase in number of pharmacies in Macau, catering to the growing demand of consumers for health related products including health supplements. The market structure and local demand may be small, but still similar to Hong Kong in many ways, such as consumer demographic, preferences and spending.

Additionally, with its close proximity to Hong Kong and China, Macau enjoys an inflow of consumers from the recently developed tourism industry, especially from mainland Chinese visitors on a short entertainment and shopping holiday within the region. The major bulk of visitors, the mainland Chinese, bring with them their consumer preferences and shopping habits, hence driving demand for health supplements like fish oil, berry products, milk thistle, royal jelly, Ganoderma Spore-Pollen, Cordyceps, Mycelia and chicken essence.

China

China’s health supplement market, which started to flourish as a result of the PRC policies, still has a large potential for growth

The health supplement market has experienced decades of development in China. The macro factors driving this industry have been the country’s rapid economic development since the PRC policies of opening-up and its acceptance into the World Trade Organization, both of which have brought foreign brands and encouraged the domestic brands to diversify in the market. Before the 1980’s, traditional supplements were the main health supplement in the China market. After the 1990’s, royal jelly, together with vitamins and bottled nutritive drinks were introduced as an alternative, which brought the market into its initial development stage. The introduction of Nutralite, a brand of vitamins

INDUSTRY OVERVIEW

and supplements in 1998 sparked a new era in the industry of health supplements. Currently, the industry of health supplements in China still has large growth potential, compared to those in developed countries.

Currently, prominent market players in China include Amway (Nutrilite), By-Health, Perfect, Lee Kum Kee (Infinitus), and Tiens. Fish oil, berry, royal jelly, protein supplements, folic acid, and supplements with minerals or vitamins are relatively common among various types of health supplements. In addition, some Chinese manufacturers apply high-tech extracted natural plant essences, combined with traditional Chinese herbs.

The health supplements are formulated for various age groups as well as varying nutritional requirements. By age and gender, the main consumer segments can be classified into adults, pregnant women, and geriatric consumers. In addition, there are a great deal of people who have special dietary and nutritional requirements if recovering from a surgery or an injury to replenish deficiencies of specific nutrients, etc. More specifically, elderly people tend to take supplements with minerals, such as calcium and Vitamins C and E; some middle-aged women prefer to consume a diet with fibre, aloe, citrus, folic acid, and even primrose; women who are pregnant or nursing usually consume a handful of health supplements such as folate, fermented cod liver oil, probiotics and supplements with minerals or vitamins.

Singapore

Market for health supplements shows growth promise as preference shifts from vitamins to supplements

The retail market for health supplements in Singapore presents a good opportunity for growth as Singaporean consumers are gradually shifting focus from single vitamin supplements to multi-benefit and naturally-sourced health supplements such as ginseng, fish oil, fruit berries, chicken essence, milk thistles and green tea. The popularity in health supplements stemmed from a combination of popular product endorsements from local celebrities and promotional campaigns by retailers such as Watsons to improve brand and nutritional awareness to Singaporean consumers.

The market structure for health supplement is slightly consolidated. Key players such as General Nutritional Centre Inc. (GNC) and USANA Health Sciences have high market share in health supplement market. Local distributors such as Cambert FE, Ocean Health and NTUC Unity Healthcare have garnered a growing market presence by targeting consumers of the middle-and-lower income groups. This strategy allowed local distributors to provide health supplements to consumers at affordable prices. As price competition began to heat up in 2014, prices of health supplements are expected to fall in the short term.

Besides income, consumers of health supplements also vary with age and gender groups. In general, consumers aged between 15 years old to 25 years old are likely to consume green tea, berries and chicken essence supplements while consumers aged between 26 years and above tend to consume fish oil, ginseng and milk thistles supplements. Since 2010, fish oil has enjoyed growing popularity across consumers of all age-groups.

At present, berries are popular products among the young and working groups. Berries combine the benefits of antioxidants, micronutrients and phytonutrients into a single package, thereby enhancing its appeal towards Singapore's busy working population. Royal jelly products are mainly consumed by working groups and senior citizens. In 1990, its popularity was due to celebrity endorsement campaigns. Its popularity has slowly declined over the past 10 years due to negative publicity arising from its potentially allergic ingredients. Consequently, this setback resulted in distributors and retailers' cutting back on royal jelly's marketing campaigns.

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Performance of Health Supplement Market

Hong Kong

Table 3 Health Supplement Retail Market Size in Hong Kong in HKD million (Retail Value Sales, Retail Sales Price), 2010-2014 Historic and 2015–2019 Forecast

	2010	2011	2012	2013	2014	CAGR 2010–14
Health supplements	3,276.4	3,581.0	4,556.0	4,371.0	4,136.0	6.0%
Milk thistle	72.9	76.6	80.5	85.1	90.1	5.4%
Fish oil	147.5	152.0	156.3	160.6	164.8	2.8%
Berry	67.9	72.4	77.3	82.6	88.5	6.8%
Squalene	38.7	39.6	40.4	41.3	42.1	2.1%
Royal jelly	39.1	40.1	41.0	42.0	42.9	2.3%
Others (collectively)	<u>2,910.3</u>	<u>3,200.4</u>	<u>4,161.0</u>	<u>3,959.5</u>	<u>3,707.7</u>	<u>6.2%</u>
	2015	2016	2017	2018	2019	CAGR 2015–19
Health supplements	4,061.3	4,038.4	4,039.2	4,067.8	4,133.2	0.4%
Milk thistle	95.5	101.5	108.1	115.2	122.9	6.5%
Fish oil	169.0	173.1	177.3	181.3	185.4	2.3%
Berry	95.0	102.3	110.3	119.0	128.6	7.9%
Squalene	42.9	43.7	44.4	45.1	45.8	1.7%
Royal jelly	43.8	44.8	45.7	46.6	47.6	2.1%
Others (collectively)	<u>3,615.0</u>	<u>3,573.0</u>	<u>3,553.6</u>	<u>3,560.5</u>	<u>3,602.9</u>	<u>-0.1%</u>

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and a sample of health supplements manufacturers/distributors/retailers in Hong Kong

Hong Kong's health supplement market to be mainly driven by store-based retail sales

During the historical review period, the retail sales value for health supplements in Hong Kong experienced a growth from HK\$3,276.4 million in 2010 to HK\$4,136.0 million in 2014 as a result of the strengthening of domestic demand, in addition to influx of mainland Chinese visitors. However, in 2013 and 2014, the overall health supplement market of Hong Kong started to experience a decline due to weakened sales of major direct selling brands. USANA in particular, experienced steep declining sales in 2013 and 2014 due to their shift in focus from the Hong Kong market to the China market. With the company's presence having been substantial in the market, the overall health supplements retail sales were, as a result, impacted negatively.

The retail sales value for Hong Kong's health supplement market is expected to continue declining in the beginning of the forecast period due to the continuous decline in the sales of the direct selling sector, in addition to the decrease in the mainland Chinese visitors. As the sales from the direct selling sector touches its floor and stabilises towards the end of the forecast period, with the domestic demand expected to experience a minute but healthy growth, the retail sales of the health supplement market is expected pick up during the course of the forecast period.

Among milk thistle, fish oil, berry, squalene and royal jelly, fish oil enjoys the largest share

Milk thistle, fish oil, berry, squalene and royal jelly products only occupied 10.4% of the health supplement market of Hong Kong in 2014. However, among the five categories, fish oil enjoyed the largest sales split of 4.0% in 2014. Fish oil was followed by milk thistle (2.2%), berry (2.1%), royal jelly (1.0%) and squalene (1.0%). During the forecast period (2015 to 2019), all five product categories are expected to occupy larger shares in the health supplement market.

INDUSTRY OVERVIEW

Milk thistle and berry to continue experiencing healthy growth

By product category, the retail sales value for milk thistle reached HK\$90.1 million in 2014, witnessing a CAGR of 5.4% during the historical review period (2010 to 2014). This has been attributed to milk thistle's popularity among both male and female consumers. Milk thistle is expected to experience a healthy growth of a CAGR of 6.5% in the forecast period (2015 to 2019).

Berry supplements have been experiencing a relatively higher growth rate compared to other reviewed categories. The retail sales value of the category grew from HK\$67.9 million to HK\$88.5 million between 2010 and 2014, enjoying a CAGR of 6.8%. Hong Kong consumers regardless of age and gender, berry products is postulated to enjoy a health rate of growth and reach a retail sales value of HK\$128.6 million in 2019.

Fish oil and royal jelly, categories of relatively longer history and slower growth rates

Fish oil retail market size is larger than of milk thistle, berry, squalene and royal jelly. As the product category is a mature one with suitability for a broad range of customers, the growth rate is stable and lower compared to the other reviewed product categories. The product category is expected to continue increase at a CAGR of 2.3% in the forecast period (2015 to 2019).

Royal jelly products have an established history but have a smaller market base in Hong Kong, with a relatively lower growth rate due to the limited consumer segments. The product category's retail sales value reached HK\$42.9 million in 2014, displaying a CAGR of 2.3% during the review period from 2010 to 2014. Nonetheless, trade sources have indicated that the category has been benefiting from the rise in income among female consumers. The retail sales of royal jelly are expected to experience a relatively slower, but positive CAGR of 2.1% in the forecast period from 2015 to 2019.

Sales of squalene reflect growth despite the high price point

In 2014, the retail value sales of squalene reached HK\$42.1 million, a result of a CAGR of 2.1% during the historical review period (2010 to 2014). Squalene is a product category that is well received by female consumers. It is also known to improve the immunity and act as a good source for omega fatty acids. Due to its high price point, retail sales are not as high as other product categories. Nonetheless, squalene still enjoys a relatively lower and stable but positive CAGR of 1.7% in the forecast period.

Macau

Table 4 Health Supplement Retail Market Size in Macau in HKD million (Retail Value Sales, Retail Sales Price), 2010-2014 Historic and 2015-2019 Forecast

	2010	2011	2012	2013	2014	CAGR 2010-14
Health supplements	56.9	91.1	115.0	150.7	163.4	30.2%
	2015	2016	2017	2018	2019	CAGR 2015-19
Health supplements	138.9	134.0	137.4	140.8	145.0	1.1%

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and a sample of major health supplements manufacturers/distributors/retailers in Macau

INDUSTRY OVERVIEW

Strong historic growth in health supplement market slowing, forecasted to shrink in 2015

Macau's health supplement industry has seen strong growth in the retail market, with a CAGR of 30.2% for 2010 to 2014. Its retail market size was HK\$56.9 million in 2010, and since has grown to HK\$163.4 million by 2014, which is a three times growth in market size within four years. Most of the market growth during this four year review period was significantly attributed to the year 2011, when tourism growth for mainland Chinese visitors was at its highest, boosting consumer spending in the health supplement market. Subsequent years saw a slightly slower growth, following increased spending power and disposable income by mainland Chinese visitors, shifted holiday visits to Asian countries further away.

An overall drop in market size is expected for this year, 2015, and forecasted to see slow recovery growth until 2019, not reaching levels as high as 2013 and 2014. Retail market size is expected to only be HK\$145.0 million in 2019, with CAGR of 1.1% in this forecast period. The recent anti-corruption crackdown, launched in mainland China by President Xi Jinping is the main reason for the forecasted market shrink, as mainland Chinese visitors are the major growth driver for demand of health supplements in the Macau market. Without the visitor's high spending power, sales from mainland Chinese visitors are expected to decrease significantly, even with a pickup in local demand, which is not able to compensate for the decreased in tourist sales.

Fish oil and berry products are top-selling health supplements in Macau market, but limited for royal jelly

Traditionally a popular health supplement with the mainland Chinese, fish oil is one of the top selling product categories among health supplements in the Macau market. Also, the increasing demand from mainland Chinese visitors under the two-child policy may stimulate the demand of child-related health supplements.

Berry inclusive health supplements are also one of the top selling products in the Macau market, and can be found in most retail stores compared to other health supplement products. Berry products are popular due to the broad consumer base, from children to the elderly, and both male and female genders. Royal jelly products are present in the Macau health supplement market and found in most stores, but are limited in choice despite it having a longer market history. The association of royal jelly benefits to beauty maintenance may have limited its customer base, where royal jelly products are seen to be popular with the older female consumers. The mainland Chinese visitors under the two-child policy may also stimulate the demand of child-related health supplements.

China

Table 5 Health Supplement Retail Market Size in China in HKD million (Retail Value Sales, Retail Sales Price), 2010–2014 Historic and 2015–2019 Forecast

	2010	2011	2012	2013	2014	CAGR 2010–14
Health supplements	<u>48,074.3</u>	<u>56,336.2</u>	<u>63,377.6</u>	<u>76,985.1</u>	<u>87,586.8</u>	16.2%
	2015	2016	2017	2018	2019	CAGR 2015–19
Health supplements	<u>97,667.4</u>	<u>105,610.1</u>	<u>113,695.5</u>	<u>121,790.1</u>	<u>129,687.1</u>	7.3%

Source: Euromonitor estimates from desk research and trade interviews with a sample of major health supplements manufacturers, distributors and retailers in mainland China.

INDUSTRY OVERVIEW

Chinese dietary market has large potential, but there will be challenges to overcome

The market for health supplements has been growing steadily in China. During the review period, the retail sales value had increased from HK\$48,074.3 million in 2010 to HK\$87,586.8 million in 2014, witnessing a CAGR of 16.2%. This growth is contributed to by the promotion of big health industry and the increasing health consciousness of consumers.

The total market size for health supplements is expected to reach HK\$129,687.1 million in 2019, with a CAGR of 7.3% for the forecast period (2015–2019). The market for Chinese health supplements still has large potential for further development. In addition, although still at an early stage to draw conclusions, the government's decision to implement the two-child policy may have a positive effect on the demand of health supplements.

Nonetheless, the government and participants need to collaborate with each other to ensure a sustainable development considering there are many challenges on the way. A list of a few of the challenges includes: the imperfect regulation and supervision makes some unauthorised and unqualified health supplements accessible to consumers, which would dampen the enthusiasm of those manufacturers who follow the rules; according to the Research Center for Development & Regulation of Food and Drug Industry under the Chinese Academy of Social Sciences, this market is quite segmented with a majority of very small manufacturers. It is difficult for the industry to break through technology barriers without a certain number of large-scale enterprises to lead the investment and research and development.

Fish oil and royal jelly have experienced a relative longer development history

Fish oil and royal jelly are two common health supplements which have experienced a long development in the China market. They enjoy high-level recognition among consumers as being good for both self-consumption and gift giving. They have a large market base and the annual increments are significant. However, they may face growth pressure in the future, due to some limitations which have accumulated over time. The fish oil market in China is scattered with too many players, some of which are unqualified. The product of royal jelly requires upgrading and technological innovation considering that the market for royal jelly has been in intense homogeneous competition.

Berry is expected to have large potential with its high nutrition level

The health supplement of berry was relatively late in entering the China market compared with other health supplements. The number of consumers with demand and consciousness of this supplement has been growing fast in recent years. According to the statistics of Tufts University, among the 60 vegetables and fruits with antioxidant effect, blueberry ranks as the first. The high nutrition level provides the market for berry in China with great potential to expand in the future.

INDUSTRY OVERVIEW

Singapore

Table 6 Health Supplement Retail Market Size in Singapore in HKD million (Retail Value Sales, Retail Sales Price), 2010-2014 Historic and 2015–2019 Forecast

	2010	2011	2012	2013	2014	CAGR 2010–14
Health supplements	<u>1,490.3</u>	<u>1,771.8</u>	<u>1,853.9</u>	<u>1,895.6</u>	<u>1,934.7</u>	<u>6.7%</u>
	2015	2016	2017	2018	2019	CAGR 2015–19
Health supplements	<u>1,883.0</u>	<u>1,925.6</u>	<u>1,967.5</u>	<u>2,010.1</u>	<u>2,053.5</u>	<u>2.2%</u>

Source: Euromonitor Passport, Euromonitor estimates from desk research and trade interviews with relevant industry associations and a sample of major health supplements manufacturers/distributors/retailers in Singapore

Singapore's health supplement market boosted by National Healthy Lifestyle Programme (NHLP)

The historic retail value sales of health supplements in Singapore had a track of good growth. In 2010, retail value sales were HK\$1,490.3 million and in 2014, retail value sales went up to HK\$1,934.7 million with a CAGR of 6.7%. Growth was moderately fast in the historic period as sales in health supplements receive a boost from new market entrant such as NTUC Unity, followed by new product releases in the fish oil and berries categories. However, the driving factor was a growing consumer base in the health supplement market. This growth was spurred by government effort to promote healthy living via the National Healthy Lifestyle Programme (NHLP), which is launched every year across all media channels to inform consumers in making a conscientious effort to improve their health and personal well-being.

Due to the slow global economic growth, the forecast retail value of sales of health supplements in Singapore is expected to see a slight decline for this year, 2015, followed by a gradual recovery to surpass 2014 retail value sales by 2017. In 2015, retail value sales are estimated to be HK\$1,883.0 million and by 2019, retail value sales may reach up to HK\$2,053.5 million with a CAGR of 2.2%. Growth is estimated to be slow in the forecast period as sales in health supplements might face competition from next generation vitamin supplements such as Swisse Ultivite which combine the benefit of vitamin and health supplements into a single consumable capsule. While the Health Promotion Board (HPB)'s Healthy Living Master Plan (HLMP) is constantly improving to make health supplements available to all Singaporeans, the lack of product innovation may hinder the growth of health supplements. Manufacturers have to innovate and improve their product lines to keep up with local competition.

Market Drivers, Constraints and Entry Barriers of the Health Supplement Market

Hong Kong

Market Drivers of the Health Supplement Market

Rising wealth and increased health consciousness spur investments in health supplements

With an increase in annual disposable income with a CAGR of 6.0% between 2010 and 2014, consumers in Hong Kong are enjoying a rising purchasing power, better able to invest in healthcare products such as health supplements. Easy access to these supplements being sold in various retail outlets allows consumers from all income groups to purchase their supplement needs. Local health-

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conscious consumers, who already purchase supplements regularly, would tend to purchase supplements in promotional multi-packs with the rise in purchasing power, while lower-middle income consumers may consider starting on products to supplement their health.

Another driver is the increased level of health consciousness among consumers, through higher education, exposure to government-led health campaigns, as well as increased promotions by healthcare providers and suppliers in the industry. These offline and online channels have contributed to the increased acceptance of health supplements amongst Hong Kongers.

Hong Kong's retail market sales driven by visitors from mainland China

Additionally, the proximity to China has driven mainland Chinese visitors to Hong Kong to purchase health products have contributed to the overall rise in sales of health supplements. With the perception of having better quality products in Hong Kong, as well as lower prices due to absence of taxes on imported goods, mainland Chinese would buy products in bulk for friends and family back home. At the same time, with significant purchases made by the visitors from mainland China, Hong Kong health supplements is affected when visitors arriving from mainland China falls. Health supplements retailers of Hong Kong have shared that anti-Mainlander protests such as "Occupy Central" and "Anti-parallel Trading Protests" have led to declining sales. Nonetheless, the steady increase in local demand has been able to offset the impact.

Store-based retailers driving sales of vitamins and health supplements in Hong Kong

Sales through store-based retailers have had a positive influence on the market size of the Hong Kong's health supplement market during the review period. The negative growth of the overall Hong Kong health supplement market size in 2013 and 2014 represented in Table 7 has been mainly attributed to the declining sales of direct selling, a non-store retailing channel.

Table 7 **Store-Based and Direct Selling of Vitamins and Health Supplements in Hong Kong in HKD million (Retail Value Sales, Retail Sales Price), 2010–2014 Historic**

	2010	2011	2012	2013	2014	CAGR 2010–14
Store-Based Retailing	2,249.7	2,413.1	2,569.6	2,932.4	3,283.1	9.9%
Direct Selling	1,979.6	2,209.8	3,097.0	2,688.4	2,178.3	2.4%

Note: Data includes sales of both vitamins and health supplements. Data only on health supplements is unavailable.

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and a sample of vitamins and health supplements manufacturers/distributors/retailers in Hong Kong

In fact, sales of vitamins and health supplements through store-based retailing, which includes the sales through retail outlets such as chained drugstores, health supplement/health food shops, other drugstores and pharmacies, increased from HK\$2,249.7 million in 2010 to HK\$3,283.1 million in 2014, increasing at a CAGR of 9.9%. With over 70% of the sales of vitamins and health supplements driven by the sales of health supplements rather than the sales of vitamins, it can be suggested that the sales of health supplements through store-based retailing has been growing rapidly. This has further been confirmed by trade sources who have shared that the sales of health supplements through stores, in addition to internet retailing channels are expected to experience growth in the upcoming future. The increase in the household penetration of internet and smartphones has especially had a positive influence on the online sales of health supplements. On the other hand, sales of vitamins and health supplements through direct selling channels started to show declining figures in 2013.

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Market Constraints of the Health Supplement Market

Lack of a dedicated regulatory body governing the health supplements industry of Hong Kong

Hong Kong's comparatively lax regulation governing the registration and sale of health supplements may result in quality lapses, as registration and classification of products is conducted through the labelling of ingredients on the packaging. Hence, it is not uncommon for local consumers to check out the country of origin for the health supplements. As such, manufacturers may misrepresent or mislabel product ingredients, selling products claiming non-existent health benefits or even harming the health of consumers.

Vulnerable to the impact of media and advertising

Health supplements are susceptible to trends as portrayed by the media or advertising, hence making sales trends difficult to predict. Sales of these product areas may see increased popularity for specific brands or products, with marketing tools focused on clinical evidence of efficacy, strong company reputation, country of origin of product, or even celebrity endorsement affecting consumer decisions before purchase.

Entry Barriers of the Health Supplement Market

Good branding and reputation of competitors pose a significant entry barrier to newcomers

Competition against reputable brands that have been in the local market for a longer period would be a significant barrier for new brands of products to overcome and gain market traction. The existing health supplement brands in Hong Kong (including the brands distributed by the Company, "Organic Nature" and "Top Life") distribute similar ranges of products that often include naturally-sourced ingredients into their products. In order to successfully enter the market, new comers would have to spend significant time and resources to build their brand and reputation, to reach new consumer segments or convince existing consumers of their product benefits. Hence long-term sustainable investment would be needed for capital, as well as knowledge and experience of the industry to penetrate the market effectively.

High capital and operating costs needed to gain brand's exposure in the market

In addition to the capital needed to enter the market, high operating costs in terms of rental and distribution costs will be a consideration for newcomers. With limited retail space in a space-crunched city such as Hong Kong, rental costs are notably high, especially if stores are to be located in high-traffic areas at shopping malls and railway stations. It would require networking with retailers to obtain prime space which is always in high demand. In addition, selling products through major retail channels can be difficult in Hong Kong due to the high entry cost such as listing fees. Nonetheless, it is beneficial for a company to retail their products through store-based channels not only because Hong Kong consumers feel more assured purchasing products at retail stores, but it allows for greater brand exposure as well.

Macau

Market Drivers of the Health Supplement Market

Health supplement growth fuelled by demand from mainland Chinese visitors

The main driver of health supplements market is the increased demand of healthcare products from mainland Chinese visitors, who travel to Macau for a gambling or entertainment trip. According to Statistics and Census Service of Macau (DSEC), 67.4% of the visitors to Macau in 2014 were from

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mainland China, making them the majority of the tourist population. These visitors who travel have a higher spending power, are able to purchase higher value health products, and in bigger quantities compared to the domestic market.

Local demand for health supplements pick up as a result of the rise in health consciousness

Riding on the trend of aging population and extending life expectancy, Macanese consumers are being more health conscious, and purchasing more health supplements. As a result, the demand for health supplements among the local community has been gradually increasing over years.

Market Constraints of the Health Supplement Market

Small market in Macau susceptible to external shocks and changes in demand

A major constraint on the health supplement market in Macau is the small population, which results in a very small domestic market for any product or service outside of the entertainment industry. The population growth is fuelled mainly by foreign workers from the region, who are usually on a work permit for lower income jobs, having lower purchasing power and disposable income to spend on supplementary goods. Hence demand for health supplements is still reliant and vulnerable to the external demand from tourists in Macau. Following the PRC Government's crackdown on corruption and excessive government spending, demand for goods and services have slowed across all industries in Macau, due to decreased tourism numbers and more conservative spending from mainland Chinese visitors.

The Macau economy is also heavily reliant on a particular industry — gambling and tourism, posing a high risk of operating in businesses outside of these industries in Macau. Its high focus on tourism and gambling could mean less support and plans for development in other areas from the government, which can result in stagnation. Any business, including the health supplement industry would be dependent on the tourism industry performance, as majority of sales will be based on the tourism demand than the local market demand.

Difficulty in hiring staff for retail stores in job competitive market

Thirdly, due to the highly competitive job market, it would be difficult to hire staff to run the business in Macau, as most locals and even foreigners are hired by the casinos and hotels in the tourism industry. Many other industries face difficulty finding quality staffing, as they are unable to match the higher pay offered by the casinos and gambling resorts for top talent.

Entry Barriers of the Health Supplement Market

Adherence to regulatory processes and lack of distribution points are strong entry barriers for new businesses

To conduct a commercial business involving food in Macau, would require manufacturers, importers or distributors to fulfil all the drug testing, labelling, advertising and food safety regulations before sale. This may take considerable time and effort through the regulation process, deterring new businesses from entering the market.

Another challenge would be the difficulty in finding local distributors for retailing health supplements to the local market. There are very few local distributors available in Macau, while larger chains tend to have their distribution offices in Hong Kong, but not in Macau. It may be easier to enter the Macanese market by going through distributors in Hong Kong, who have the market

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knowledge and information to distribute in Macau. Possible challenges that could be faced are distributors having non-competition agreements with existing clients, and thus are unable to distribute other brands' products.

Instead of selling products through distributors, market entrants may try to enter the market by setting up their own retail stores, which they then face the difficulty of obtaining retail space. With most commercial land designated for the development of future hotel or entertainment properties, finding retail space outside of these areas with high footfall might pose a challenge, notwithstanding the fact that the rental costs will be high rental costs.

China

Market Drivers of the Health Supplement Market

The environment of big health industry urges the further development of the health supplement industry in China

'Big health industry' according to the China Health Care Association, is a sum total of products, services and communication activities which maintain, repair and promote the health industry in China, was raised due to increasing health consciousness and requirements, and which has received extensive attention and government support in recent years. It includes pharmaceutical and healthcare products, health supplements, medical devices, casual healthcare services, health consulting and many other manufacturing and service areas related to personal health. Considering the increasing ageing population, the deepening of medical reform, the gaps in the health industry and increasing consumer initiatives to pursue a healthier lifestyle in China, the "big health industry" has brought new impetus and opportunity for the whole health care industry to expand its business coverage in a broader and deeper perspective. Manufacturers of health supplements such as By-Health are encouraged to further invest, while traditional pharmaceutical enterprises are proactively entering the industry of health supplements.

High incidence of chronic and sub-health problems calls for increasing demand for health supplements

As the result of unhealthy and stressful lifestyles and environmental issues, the incidence of chronic and sub-health problems is higher than before. The incidence of these complaints is growing fast, especially among young and middle-aged people. In recent years, people have begun to look not only for treatments but also for prevention through total-wellness solutions including exercise, balanced diet and health supplements. Therefore, the number of people consuming health supplements is increasing.

Increasing public awareness towards personal health encourages the enthusiasm of manufacturers in the health supplement industry

Due to the improvement of living standards and high level of competitive pressure, people have shown increasing health awareness. The more people care about their health, the more likely people are to pay for their health. It has been found in recent years that people have health examinations more often than they would before and are more willing to buy health supplements. People's growing health consciousness will mobilise the enthusiasm of manufacturers in the health supplements industry.

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Rising purchasing power urges people to pay more for health

Customers are more likely to consume more health supplements when they have more disposable income considering health supplements are not necessities in people's daily lives. When people have affluent disposable income, they tend to invest more in their health in order to take more preventative steps and be proactive by purchasing various premium products, and health supplements would be a wise choice for people with such concerns.

More diversified and optimised sales channels stimulates the expansion of the health supplements industry

Health supplements are sold through a myriad of channels. Major sales channels such as pharmacies, supermarkets and hypermarkets and personal care stores are amongst the most prevalent channels for the sale of health supplements. Some companies also target doctors, nutrition consultants, and gym instructors to promote their brands. Promoting and selling health supplements through internet retailing is another trend in the market. Among the diversified sales channels, internet retailing has demonstrated a remarkable growth. The development of online shopping platforms, such as TMALL and JD, ensures the ease of access to the internet. In addition, the rise of online overseas purchasing has further stimulated consumer needs for health supplements. Chinese consumers tend to believe that food and nutrition produced overseas have better quality, after a series of domestic food safety scandals. The online overseas flagship stores enable the consumer to purchase directly from foreign health supplement producers, thus mitigating consumer concerns on product quality and effectiveness. Many foreign health supplement producers, such as Blackmores, tested the waters by launching their products online, and generated considerable sales.

Diversified and optimised channels help the industry players to reach more consumers and educate them more about the products, with the result that consumers may become more interested and confident in health supplements. Therefore, the development of channels allows ambitious companies to capture more potential customers.

Market Constraints of the Health Supplement Market

Safety and effectiveness concerns over health supplements marks a major constraint for the health supplement industry

There have been a number of controversies over the safety and effectiveness of health supplements. Some people believe health supplements might not act in a natural way and optimise wellness as the products claim, as the ingredients of health supplements are not all from natural elements and some are even synthetic. In addition, some studies also question the health benefits of health supplements. Overly taking health supplements might even cause some disorders. All these controversies will shake the image of health supplements in the consumer market.

The lack of unified and thorough regulation governing the industry of health supplements has a negative effect on market order improvement

Currently, manufacturers in this industry follow the rules mainly according to the Provisions of Healthcare Food issued in 1996 and Food Safety Law issued in 2009 and updated in 2015, instead of a specific and definite regulation of health supplements. As mentioned by some trade participants, sometimes they might find that current regulations cannot help them solve all problems very well. For example, both the manufacturers and even some regulators find that it is hard to clarify what exactly should be considered as health supplements. Therefore, some manufacturers may sell the products as common food, which can save the time and cost to register the products as healthcare food, and avoid stricter regulation and supervision. This would allow questionable products into the market, hurt

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consumer interests and discourage the manufacturers who proactively follow the regulations. If the deficiencies in regulation cannot be solved effectively, the future development of the health supplements industry might be restricted.

Exaggerated marketing and publicity do harm to the healthy development of the health supplements market

For some health supplement products, manufacturers tend to use subjective exaggerations and hyperboles, even inflating claims or boasting, and make vague claims about the product which cannot be proved or disproved but can lure customers. These behaviours are called 'puffery', which might grasp consumers' attention for a while and lead to consumption, but 'puffery' should never be viewed as a good and healthy approach. Problems have already arisen because these marketing tricks have made consumers feel that they have been cheated, and they lose confidence in similar products. The frequently seen exaggerated marketing or 'puffery' advertisement does significant harm to the healthy development of the health supplements products market in the long term.

Entry Barriers of the Health Supplements Market

Policy barrier makes the registration process time-consuming and complicated for manufacturers

Health supplements as healthcare products need to acquire the registration license from China Food and Drug Administration (CFDA), according to the Registration Regulation of Healthcare Food (Trial Implementation). In addition, according to the Food Safety Law, foods with claims of special health functions shall not cause acute, sub-acute, or chronic hazard to the human body. The label and instructions shall not include disease prevention or treatment functions, and the content must be true and indicate clearly the suitable and unsuitable groups, functional ingredients or significant ingredients. Product functions and ingredients shall be consistent with those indicated in the label and instructions. All these regulations make the registration process time-consuming, constituting an administrative barrier.

Distribution barrier increases difficulty for new entrants to access the existing market

For health supplement manufacturers in the field of indirect sales, the major sales channels are pharmacies, drugstores, hypermarkets and supermarkets. While distribution resources, especially those premium resources, are very limited, producers who entered the market earlier have already established sound relationships with channel partners. It is hard for new arrivals to take over in a short time from the pioneers who have market channel advantages after a long time of cultivation and investment. As for the field of direct sales, new entrants must apply for a direct selling license before they step in to the direct sales market of health supplements. The Regulation on Direct Selling Administration, which was issued by the State Council on 10 August 2005, sets high standards for companies who want to apply for a direct selling license.

Investment barriers hinder new entrants to the Chinese health supplements market

To develop and produce a health supplement product, manufacturers need to go through multiple processes, including product research and development, stability study, successive toxicological and functional test, etc., in order to get the approval and gain credibility. All these processes call for large capital and talent investment, which may be a barrier for new entrants, especially those of small-scale.

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Singapore

Market Drivers of the Health Supplement Market

Increasing purchasing power will lead to higher spending on health supplement products

Another driver in the health supplement market is the growing purchasing power of Singapore consumers. The growth in household disposable income provides families and individuals the means to access and purchase health supplements in local pharmacies and departmental stores. Existing health conscious consumers may increase their quantities of supplements purchased whereas consumers in the lower-middle-income segment are likely to include health supplements to complement their daily meals.

Government's health initiatives help to drive a culture of healthy eating and healthy living

Complementing the growth in purchasing power, health marketing campaigns by the Singapore Health Promotion Board (HPB) and retailers such as Watsons and NTUC Unity have helped to establish a culture of healthy living in Singapore. These efforts have helped to promote healthy living among Singaporeans through healthy eating and exercise. Health supplements are included under the banner of Singapore's Healthy Eating campaigns and have since, enjoyed consumers' preference as both standalone health products and complementary products to their daily meals.

Market Constraints of the Health Supplement Market

Singapore's slow population growth will influence demand for health supplement products

Singapore's slow population growth will have a profound impact on the market potential of health supplements. Although growth factors attributed to a busy lifestyle had a positive impact on the historical CAGR of health supplements, slow population growth will restrict the potential volume sales of health supplements. Manufacturers and distributors have to focus on areas of innovation and quality improvement to differentiate their product lines and cater to the different needs of a growing health-conscious market.

Lack of a strict regulatory body overseeing the health supplements market of Singapore

The market for health supplement is vulnerable to compromise in quality checks. Since health supplements in Singapore are not tightly regulated by the government, there is little incentive for manufacturers and distributors to ensure that supplements sold to consumers have demonstrated health benefits. In other circumstances, this lax regulation may lead to lapses in safety checks wherein prohibited or harmful substances are included in the supplement packaging but excluded in its labelling.

In 2014, consumers' confidence in health supplements was shaken by nation-wide alerts from the Health Science Authority (HSA) due to health dangers arising from the consumption of Nutri Drops Grapefruit Diet and Mr. Zack Powerbro. As Singaporean consumers are relatively risk-averse, product scares are likely to create an industry-wide spill-over effect wherein a drop in demand in the affected supplement is likely to affect the demand of the overall health supplements as well. Consequently, manufacturers and distributors in the health supplement industry may experience a demand pinch as consumers are unlikely to put themselves at risk to enjoy health benefits of the health supplement products.

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Entry Barriers of the Health Supplement Market

A saturated market and a preference established brands pose strong barriers for new entrants

Although forecast figures indicate growth potential for Singapore's health supplement market, minimal product innovation and a relatively small population size indicate that the health supplement market is easily saturated. New entrants targeting Singaporean consumers cannot rely on pricing strategy to compete. Companies need to rely on product innovation and marketing to introduce new product lines and compete on niche consumer segment such as the health enthusiast community in Singapore.

Brand name and reputation represent the strongest barrier of entry in the health supplements market. Singapore consumers rely on brand name to derive a perception of the products' qualities and its perceived benefits. At present, leading brands such as GNC, Ocean Health and Blackmores have established good presence in the Singapore market due to product advertisements in the mainstream media as well as endorsements by celebrities. Since building brand name and reputation takes time and resources to develop, new brands penetrating into the Singapore market may face the barrier of having to spend considerable resources and time to establish a reputable brand known for its quality and benefits.

Strict regulations on multi-level-marketing discourage new entrants from expanding their sales network

Another barrier of entry is the enactment of Multi-level Marketing and Pyramid Selling (Prohibition) Act. This Act was initially enacted to prevent the establishment of multi-level marketing in Singapore. The Act serves as a deterrent for new entrants, who are aspiring to become USANA and Herbalife in promoting their health supplements via this channel.

Competitive Landscape of Health Supplement Market in Hong Kong

Overall Health Supplement Market

The health supplement market in Hong Kong has been competitive due to the high number of brands, with varied product offerings, that cater for health benefits and consumer segments. The fragmented market consists of both established brands as well as new entrants. Major brands often compete on advertising, often having a local celebrity endorsement for the brands, promotions and through network distribution. In 2014, Pharmanex was ranked number one in terms of retail value sales of health supplements in Hong Kong, followed by Vita Green and USANA. Organic Nature is ranked eighth, occupying 3.2% of the total market share.

The Group, the local brand owner of Organic Nature, also distributes Top Life and Superbee brands. Top Life, similar to Organic Nature is a health supplement, personal care and beauty product brand. Truth & Faith's personal care products include facial care (facial moisturisers, lip care) and toothpaste products. Superbee is a brand of honey products.

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With Top Life estimated to have 0.8% of the health supplement market share in Hong Kong, the Group is estimated to occupy a total of 4.0% of the health supplement market in Hong Kong.

Table 4 **Market Rankings by Retail Value Sales for Health Supplement in Hong Kong, 2014 Historic**

Ranking	2014
1	Pharmanex
2	Vita Green
3	Cheong-Kwan-Jang
4	GNC
5	USANA
6	Lifepak
7	Nutrilite
8	Organic Nature (Market share: 3.2%)
9	Eu Yan Sang
10	Herbalife

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and health supplements manufacturer/distributors/retailers in Hong Kong

Milk Thistle

Although there are various brands present in the milk thistle market of Hong Kong, the market is rather consolidated in a sense that only a couple players capture majority of the market share. Among the brands that have milk thistle products, Organic Nature comes in first in terms of retail value sales in 2014, occupying approximately 25.9% of the total market share.

Table 5 **Market Rankings by Retail Value Sales for Milk Thistle Products in Hong Kong, 2014 Historic**

Ranking	2014
1	Organic Nature (Market Share 25.9%)
2	GNC
3	Doctor's Choice

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and milk thistle product manufacturers/distributors/retailers in Hong Kong

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Fish Oil

The market for fish oil is highly fragmented, with a large number of branded and non-branded fish oil products found in the market, of different price ranges. This product category is highly competitive for health supplement companies and can be found in majority of health supplement brands. Although there are a lot of brands found for fish oil, the majority of the market share is concentrated to a few players. In the fish oil category, GNC ranks first in terms of retail value sales, followed by Organic Nature, occupying approximately 13.7% of the total market share.

Table 6 **Market Rankings by Retail Value Sales for Fish Oil Products in Hong Kong, 2014 Historic**

Ranking	2014
1	GNC
2	Organic Nature (Market Share: 13.7%)
3	Doctor's Choice
4	CATALO

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and fish oil product manufacturers/distributors/retailers in Hong Kong

Berry

Berry health supplement products can be further categorised by the types of berries, such as bilberry and cranberry. The most popular and recognised berry product would be bilberry, for its benefits in maintaining healthy eyes in the age of increased digital use of electronic products. Bilberry products has seen significant growth across major brands, and is expected to see further growth, with a broad base of consumers purchasing the products, from children to elderly consuming the product.

Organic Nature is estimated to have the highest retail value sales for berry products in Hong Kong, occupying approximately 17.0% of the total market share, followed by MEIRIKI-JP and CATALO. COMVITA and GNC are also other popular brands for berry products.

Table 7 **Market Rankings by Retail Value Sales for Berry Products in Hong Kong, 2014 Historic**

Ranking	2014
1	Organic Nature (Market Share: 17.0%)
2	MEIRIKI-JP
3	CATALO
4	COMVITA
5	GNC

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and berry product manufacturers/distributors/retailers in Hong Kong

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Squalene

There are relatively fewer players competing in the Squalene market of Hong Kong and the market is rather consolidated. Organic Nature enjoys the largest brand share in terms of retail value sales of squalene products occupying approximately 24.0%, of the total market share, followed by SQUINA, MEIRIKI-JP and FANCL in the respective order.

Table 8 **Market Rankings by Retail Value Sales for Squalene Products in Hong Kong, 2014 Historic**

Ranking	2014
1	Organic Nature (Market Share: 24.0%)
2	SQUINA
3	MEIRIKI-JP
4	FANCL

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and Squalene product manufacturers/distributors/retailers in Hong Kong

Royal Jelly

The royal jelly market of Hong Kong is relatively less competitive compared to other health supplement categories, and there are fewer players competing with each other. COMVITA, MEIRIKI-JP and Organic Nature are the top three brands in terms of retail values sales of royal jelly products. Organic Nature occupies approximately 16.1% of the total market share.

Table 9 **Market Rankings by Retail Value Sales for Royal Jelly Products in Hong Kong, 2014 Historic**

Ranking	2014
1	COMVITA
2	MEIRIKI-JP
3	Organic Nature (Market Share: 16.1%)
4	CATALO
5	FANCL

Source: Euromonitor estimates from desk research and trade interviews with relevant industry associations and royal jelly product manufacturers/distributors/retailers in Hong Kong.

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The Group distributes over 93 health supplements, honey, and personal care and beauty products. Among the 93 products, over 60 are health supplement products, around 20 are honey products, and around 10 are personal care and beauty products. Brands under the Group include Organic Nature, Top Life and Superbee. Organic Nature's milk thistle, fish oil, berry, squalene and royal jelly are the top five products of the Group and accounted for over 40% of the Group's revenue in 2014.

Hong Kong's overall health supplements market remained highly fragmented in 2014. The selected five product categories (i.e. milk thistle, fish oil, berry, squalene and royal jelly) collectively took up 10.4% of the health supplements market share in Hong Kong. The selected five product categories are representative of the Group's standing in the market as these categories constitute more than 40% of the Group's revenue in 2014.

The Group has over 50 other health supplement products, which collectively accounted for around 50% of the Group's total revenue in 2014. The Group's other health supplement constitute a wide variety of product categories, examples of which include propolis extract, evening primrose oil, shark cartilage, calcium citrate and garlic oil. In 2014, these other health supplement products of the Group occupied 1.9% of the overall health supplements market of Hong Kong.

PERSONAL CARE AND BEAUTY PRODUCTS IN HONG KONG

Personal care and beauty products are the accumulation of facial care and toothpaste. Facial care is defined as the aggregation of acne treatments, facial moisturisers, anti-agers, facial cleansers, toners, face masks, and lip care. Toothpaste includes all standard, therapeutic, children's, baking soda and liquid toothpastes and those whitening toothpastes not marketed as tooth polishers.

Table 10 **Personal Care and Beauty Products Market Size in Hong Kong**
in HKD million (Retail Value Sales, RSP),
2010–2014 Historic and 2015–2019 Forecast

	2010	2011	2012	2013	2014	CAGR 2010–14
Personal care and beauty products	5,965.9	6,335.9	6,713.0	7,139.7	7,556.9	6.1%
						CAGR 2015–19
Personal care and beauty products	7,699.2	7,832.1	7,954.8	8,066.7	8,168.1	1.5%

Source: Euromonitor estimates from desk research and trade interviews with a sample of personal care and beauty product manufacturers, distributors and retailers in Hong Kong.

Retail value sales of personal care and beauty products in Hong Kong increased throughout the review period from HK\$5,965.9 million to HK\$7,556.6 million and are expected to continue seeing positive growth of a CAGR of 1.5% over the forecast period.

The Group also retails various personal care and beauty products in Hong Kong. The company occupies a total of 0.01% of the personal care and beauty products market under Organic Nature and Top Life brands in Hong Kong.

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HONEY IN HONG KONG

Honey is a sweet semi-liquid spread made by honey bees, available liquid or set and originating from the honeycomb. This excludes pollen and honeycomb products.

Table 11 **Honey Retail Market Size in Hong Kong in HKD million (Retail Value Sales, RSP), 2010–2014 Historic and 2015–2019 Forecast**

						CAGR
	2010	2011	2012	2013	2014	2010–14
Honey	138.4	151.5	164.4	177.6	190.0	8.2%
						CAGR
	2015	2016	2017	2018	2019	2015–19
Honey	198.5	199.8	200.6	201.4	203.4	0.6%

Source: Euromonitor estimates from desk research and trade interviews with a sample of major honey manufacturers, distributors and retailers in Hong Kong.

In Hong Kong, honey is consumed on many occasions; not just for breakfast, but also in sauces, with a number of consumers also treating honey as a common substitute for sugar. Retail value sales of honey in Hong Kong increased throughout the review period from HK\$138.4 million to HK\$190.0 million and are expected to continue seeing positive growth over the forecast period. This is not only because honey is widely adopted for uses other than as a spread, such as cooking, or to be mixed with drinks.

The Group is the local brand distributor of Superbee in Hong Kong. Superbee occupies a total of 1.8% of the honey market in Hong Kong.

AUSTRALIAN MANUFACTURERS OF THERAPEUTIC GOODS

In Australia, the Therapeutic Goods Administration (TGA) under the Department of Health administers the *Therapeutic Goods Act 1989*, and is in charge of regulating therapeutic goods, which include “prescription medicines, vaccines, sunscreens, vitamins and minerals, medical devices, blood and blood products.” It is mandatory for Australian-based manufacturers of therapeutic goods to obtain a licence to manufacture. In order to obtain a license, it is necessary for a manufacturer to comply with the Good Manufacturing Practice (GMP), which the TGA defines as “a set of principles and procedures which, when followed by manufacturers of therapeutic goods, helps ensure that the products manufactured will have the required quality.”

The TGA allows Australian health supplement manufacturers to focus on different manufacturing steps of the production process instead of engaging in full product manufacturing within one manufacturer. For instance, a manufacturer can be engaged in the packaging and labelling of health supplement products or the release for supply. It is also possible that one manufacturer be in charge of the whole product manufacturing process. All manufacturers involved in the manufacture of health supplements are required to have a license.

The Office of Manufacturing Quality (OMQ) is in charge of the inspecting and licensing of Australian manufacturer of therapeutic goods for supply in Australia in order to ensure that products are manufactured in accordance with GMP. Manufacturers of therapeutic goods in Australia must go through the following process in order to obtain a license:

- **Online application:** Application includes full details of the manufacturer including the types of products that are manufactured at each location to be licensed or certified

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- **On-site inspection:** On-site inspection can be conducted by single inspector or inspection teams in order to examine that the manufacturer's actual practices, documentation and records are in line with the relevant quality management system requirements
- **Corrective action if applicable**
- **Follow-up**
- **Inspection close-out**
- **Licensing/certification decision:** Once the license is granted, products will be included in the Australian Register of Therapeutic Goods (ARTG). This signifies that the manufacturers are legally allowed to supply products in Australia
- **Ongoing inspection activities**

There are a number of Therapeutic Goods Orders that are related to the labelling and packaging standards of therapeutic goods. Products cannot be supplied unless they meet the applicable standards with regard to labelling and packaging. Labels of therapeutic goods must be in the English language and in durable, legible lettering that is no less than 1.5 millimetres in height (except for the ARTG number which must be no less than 1 millimeter in height). Items that need to be included in the labelling are not limited to the following but include:

- The product name
- Name(s) of all active ingredients and their quantity
- In some cases, excipient information
- Batch number
- Expiry date
- Relevant warning/advisory statements
- Storage conditions
- Directions for use
- In most cases the indication for which the product is used

Before therapeutic goods are released to the Australian market, the last manufacturer in the supply chain must certify that "each production batch has been produced and controlled in accordance with the requirements of the marketing authorisation and any other regulations relevant to the production, control and release of medicinal products" (The PIC/S Guide to Good Manufacturing Practice for Medicinal Products). This process is known as the "release for supply" and TGA's Guidance on Release for Supply addresses the policies, roles and responsibilities that need to be carried out by manufacturers. An Authorised Person (AP) is in charge of the certification, and the AP is authorised by the manufacturer who is responsible for ensuring "the AP's level of education and expertise is appropriate using the training arrangements in the manufacturer's quality management system," which is "verified by the TGA during inspections" (Therapeutic Goods Administration).

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According to the Therapeutic Goods Administration of the Australian Department of Health, there are 395 Australian manufacturers of therapeutic goods as of March 2016. As multiple intermediary manufacturers can take part in the process of manufacturing therapeutic goods in Australia, not all registered manufacturers are involved in full product manufacturing. For instance, based on the manufacturer count in the Therapeutic Goods Administration of the Australian Department of Health, there are 75 manufacturers licensed for full product manufacture, and 55 manufacturers licensed for packaging, labelling and release for supply.

Overall, it is common for manufacturers to focus on different manufacturing steps of the production process instead of engaging in full product manufacturing within one manufacturer in Australia. Through such structure, manufacturers can focus and carry out their individual responsibilities while complying with the laws and regulations. In addition, since intermediary manufacturers can be more focused on particular processes rather than having to handle the entire manufacturing process, this can generally lead to cost saving benefits.

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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-compliance matters” in this prospectus, our Group’s operation in Hong Kong has complied with the relevant laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Our Group commenced its business activities in Macau by setting up its indirect wholly owned subsidiary, Truth & Faith (Macau), in October 2011. Our Group’s business operation in Macau has complied with the relevant laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Our Group commenced its business activities in Singapore by setting up Truth & Faith (Singapore) in September 2013. To the best knowledge and belief of our Directors, the operation of Truth & Faith (Singapore) has complied with the relevant Singapore laws and regulations in all material aspects since the date of its incorporation and up to the date of our disposal on 31 August 2015.

Our Group commenced its business activities in the PRC by setting up Truth & Faith (Shenzhen) in September 2011. Truth & Faith (Shenzhen) has complied with the relevant PRC laws and regulations in relation to its business in all material aspects during the Track Record Period and up to the date of its dissolution on 27 May 2015.

This section sets out summaries of certain material aspects of Hong Kong, Macau, Singapore and PRC laws and regulations, which are relevant to our Group’s business operations.

HONG KONG

The following sets forth a summary of the material laws and regulations relating to our Group’s business operations 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 principally involves marketing, sales and distribution of 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 number of 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.

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According to section 54 of the Public Health Ordinance, any person who sells or offer 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. However, the offender can rely on warranty as a one defence.

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, not later than 3 clear days before the date of the hearing, 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; 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, our Group can send a notice pursuant to section 71 to the Department of Health so that it can rely on the warranty given by Australian suppliers in case of any prosecution by criminal summons pursuant to the 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 health supplements and other consumer products, which is 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 products, other than food (which are specifically excluded under the schedule of the Consumer Goods Safety Ordinance), 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,

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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.

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

Registration as food importer or distributor

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 input health supplement products and honey and pollen products into Hong Kong.

Record-keeping requirement relating to movement of food

Section 24 of the Food Safety Ordinance provides that a person who, in the course of business, supplies food in Hong Kong by wholesale must record the following information about the supply:

- (1) the date the food was supplied;
- (2) the name and contact details of the person to whom the food was supplied;
- (3) the total quantity of the food; and
- (4) a description of the food.

A record must be made under this section within 72 hours after the time the supply took place.

Any person who fails to comply with the record-keeping requirement, without reasonable excuse, commits an offence and is liable to a maximum fine of HK\$10,000 and imprisonment for 3 months.

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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 composition of foods and drugs specified in Schedule 1 shall be up to the standards as specified in that schedule. The applicability of individual standards specified thereunder depends on whether the individual products 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.

Regulation 4A of the Food and Drugs Regulations requires all pre-packaged food and products 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, ingredients, “best before” or “use by” date, special conditions for storage or instruction for use, manufacturer’s or packer’s name and address, and count, weight or volume. Additionally, 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 pre-packaged food 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

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- (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 prohibits any person other than a registered one from carrying on business as importer or exporter of pharmaceutical products and medicines.

During the Track Record Period and as at the Latest Practicable Date, our Group has not carried on any business as an importer of pharmaceutical products and medicines. It is unlikely that our products will be subject to the regulation of the Pharmacy and Poisons Ordinance.

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 there is 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

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- (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
- (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.

None of our products is subject to the requirements of the said Regulation 3 and we have complied with the Food Adulteration (Metallic Contamination) Regulations in all material aspects.

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.

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 and supplements 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 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 advertisement shall be published or caused to be published if it is likely to lead to the use of any medicine, surgical appliance or treatment for:

- (1) the treatment or prevention of any disease or condition listed in Column 1 of Schedule 1 to the UMAO, except for a purpose specified in Column 2 of the said Schedule; and
- (2) the treatment of 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.

Some diseases and conditions listed in Schedule 1 to the UMAO include parasitic diseases, diseases of the heart or cardiovascular system, gastro-intestinal diseases, diseases of the nervous system, diseases of the blood or lymphatic system, diseases of the musculo-skeletal system, diseases of the skin, hair or scalp, and viral, bacterial, fungal or other infectious diseases.

The list in Schedule 2 to the UMAO contains treatment of human beings for the purposes of:

- (1) the induction of menstruation or relief of amenorrhea or delayed menstruation of any other gynaecological or obstetrical disease;
- (2) the promotion of sexual virility, desire or fertility, or the restoration of lost youth; and
- (3) the correction of deformity or the surgical alteration of a person's appearance.

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.

Any person who contravenes sections 3, 3B or 4 of the UMAO shall be guilty of an offence and shall be liable upon a first conviction to a fine of \$50,000 and imprisonment for 6 months and upon a second or subsequent conviction to a fine of HK\$100,000 and imprisonment for 1 year.

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Our Group promotes its products by advertisements published in different channels, the contents of which are subject to sections 3 and 3B of the UMAO. Our Group has received warning letters regarding non-compliance of the UMAO during the Track Record Period. For details of such non-compliance, please refer to the section headed “Business — Non-compliance Matters” in this prospectus.

Import and Export Ordinance

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) and the sub-legislations under it provide 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.

Section 6C of the IAE Ordinance provides that no importation is allowed of the articles specified in Schedule 1 to the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong) unless with a proper licence issued by the Director-General of Trade and Industry under section 3 of the IAE Ordinance. Accordingly, importation of pharmaceutical products and medicines and proprietary Chinese medicines stated in the said Schedule 1 are subject to licensing control and must be covered by a proper import licence.

Section 6D of the IAE Ordinance provides that no person shall export any article specified in the second column of Schedule 2 to the Import and Export (General) Regulations to the place specified opposite thereto in the third column of the schedule unless with an export licence issued by the Director-General of Trade and Industry under section 3 of the IAE Ordinance. Accordingly, exportation of pharmaceutical products and medicines and proprietary Chinese medicines stated in the said Schedule 2 are subject to licensing control and must be covered by a proper export licence.

During the Track Record Period and as at the Latest Practicable Date, our Group had not imported any articles which would contravene section 6C nor exported any articles which would contravene section 6D. Therefore, there is no need for our Group to obtain licence under the IAE Ordinance. However, our Group shall apply for the relevant licence if we seek to import or export any pharmaceutical product and medicines or proprietary Chinese medicine in the future.

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, the use of registered trademarks and connected 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.

Our Group is the registered owner and proprietor of the trademarks as set out in the paragraph headed “B. Further Information about Our Business — 2. Intellectual property rights” in Appendix IV to this prospectus.

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

Subject to the exceptions in sections 19 to 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 sections 23 and 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**") currently in force in Hong Kong provides comprehensive protection for recognised categories of literary, dramatic, musical and artistic works, as well as for films, television broadcasts and cable diffusion, and works made available to the public on the internet.

In the course of designing its product packaging, our Group may create original artistic works (such as drawings) or literary works (such as text) that qualify for copyright protection. No registration is required. Infringement of copyright is actionable through civil litigation.

Companies Ordinance

The Companies Ordinance consolidates the laws in relation to companies. Section 122 of the predecessor Companies Ordinance (then Chapter 32 of the Laws of Hong Kong, which was in force before 3 March 2014 and was repealed after the Companies Ordinance has become effective since 3 March 2014) and section 62 of the Companies Ordinance provide that directors must lay financial reporting statements for the financial year within the period specified in section 431 before the company in annual general meeting, or in any other general meeting directed by the Court. A director of a company who fails to take all reasonable steps to secure such compliance commits an offence and could be liable to a maximum fine of HK\$300,000. Further, a director of a company who willfully fails to take all reasonable steps commits an offence and could be liable to a maximum fine of HK\$300,000 and 12 months' imprisonment.

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" have the meaning assigned to "pharmaceutical product" and "medicine" in the Pharmacy and Poisons Ordinance.

REGULATORY OVERVIEW

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.

During the Track Record Period and as at the Latest Practicable Date, our Group has not engaged in any sale or distribution of pharmaceutical products and medicines. It is unlikely that our products will be subject to the regulation of the Pharmacy and Poisons Regulations.

Import and Export (Registration) Regulations

Regulations 4 and 5 of the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) sets out that every person who imports or exports any article other than an exempted article shall lodge with the Commissioner of Customs and Excise an accurate and complete import or export declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner may specify. Every declaration shall be lodged within 14 days after the importation or exportation of the article to which it relates.

Any person who fails or neglects to do such declaration within 14 days after the importation or exportation 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) a fine of HK\$100 in respect of everyday during his failure or neglect to lodge such declaration in that manner continues commencing from the day following the date of conviction. Regulations 4 and 5 also provide that any person knowingly or recklessly lodges any declaration with the Commissioner that is inaccurate in any material particular shall be liable to a fine of HK\$10,000 upon summary conviction.

Regulation 7 of the IAE Registration Regulations sets out the charges payable on the late lodgment of import declarations, in addition to the penalty set out in the said Regulations 4 and 5, in respect of the total values of articles specified in an import or export declaration with different time period of lodging an import declaration.

During the Track Record Period, our Group has paid fines in relation to the non-compliance arising from late lodgment of import and export declarations by Truth & Faith (Hong Kong) and Miracle Natural. For details, please refer to section headed “Business — Non-compliance Matters” in this prospectus.

MACAU

Law no. 7/89/M

In accordance with article 16 of Law no. 7/89/M, publishing any advertisement related to product presented as having a beneficial effect on health, shall obtain prior authorisation from the Macau Health Department. To obtain the abovementioned authorisation, the applicant shall submit an application form to the Bureau of the Pharmaceutical Affairs together with a) a copy of the official letter in relation to the classification of products issued by the said Bureau; b) text, image and/or audio/video materials which will be advertised; and c) literature and supporting document for the confirmation of the authenticity and legality of the advertisement. The application will be deemed approved if the application has not been decided by the said Bureau within 30 days from the date of application. Failure to comply such provision may result in a fine of MOP4,000 to MOP12,000.

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Decree Law no. 50/92/M

In accordance with the Decree Law no. 50/92/M, which was partially revised by the Decree Law no. 56/94/M and the Administrative Regulation no. 7/2004, the name of the product, list of ingredients, expiration date, name and address of the entity which shall be responsible for the label, the net weight, the batch reference number, the origin of the product (if applicable) of all imported or local made pre-packaged or non-prepackaged foods shall be labelled on the package.

In accordance with article 19(1) of the Decree Law no. 50/92/M, anyone who manufactures, prepares, sells, keeps, stores, delivers, shows any food which would be used to sell, export, import or otherwise transact with public consumers, such food was unlabelled or labelled with incorrect or insufficient information in accordance with the same law, may be punished with a fine of an amount equivalent to the value of the product, but up to the maximum amount of MOP50,000, by the Macau Economics Department, and the relevant products will be detained and declared to be asset of the government of Macau.

The Food Safety Law

The Law no. 5/2013 “The Food Safety Law” took effect from 20 October 2013, the objective of the Food Safety Law is to protect public health and safety through regulating the supervision and management of food safety, food safety risk prevention, control and counter-measure, as well as food safety incident management.

The Food Safety Law is applicable to food production and business operation (including the activity of production, transformation, preparation, packing, delivery, import, export, transit, storage, sale, supply, or to keep and present for the purpose of sale, or otherwise transact the food) and all the food and ingredients that are involved in these activities.

The Civic and Municipal Affairs Bureau (IACM) is the key government authority in charge of food regulations and supervision of food safety activities.

SINGAPORE

Import and sale of health supplements, cosmetic products are not subject to premarket approvals and licensing in Singapore, while import permits are required for those of processed food products and food appliances. In Singapore, the control of health supplements and cosmetic products is under the purview of the Health Sciences Authority, Singapore (the “HSA”) and subject to relevant legislations.

On the other hand, the import and sale of processed food products and food appliances are governed by relevant legislations and under the purview of the Agri-Food & Veterinary Authority of Singapore (the “AVA”).

In general, importers, wholesale dealers and retail sellers of health supplements, cosmetic products, and processed food products and food appliances must ensure that their products:

- (a) are safe for human use when consumed and/or applied under normal conditions of use;
- (b) are in compliance with the applicable quality standards set out in relevant legislations and guidelines issued by the HAS and/or AVA; and
- (c) do not contain any banned or restricted substances stipulated in relevant legislations.

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Health Supplements

Definition

Pursuant to Orders 2(m) and (o) of the Medicines (Non-Medicinal Products) (Consolidation Order) (Cap 176, O3, 2000 Rev Ed) (the “**Medicines (Non-Medicinal Products) (Consolidation Order)**”), “health foods with vague or general medicinal claims” and “staminade powder” are not categorised as medicinal products.

Although there is no statutory definition of health supplements, the HSA Health Supplements Guidelines provide a working definition of health supplements as follows:

“A product that is used to supplement a diet, with benefits beyond those of normal nutrients, and/or to support or maintain the healthy functions of the human body.

Health Supplements contain one or more, or a combination of the following ingredients:

- a. Vitamins, minerals, amino acids (natural and synthetic);
- b. Substances derived from natural sources, including non-human animal and botanical materials in the forms of extracts, isolates, concentrates; and
- c. are presented in any of the following dosage forms to be administered in small unit dosages; e.g. capsules, softgels, tablets, liquids, syrups, and any other dosage forms deemed suitable by the HSA.”

Duties and obligations of importers, wholesale dealers and retail sellers of health supplements

According to the HSA Health Supplements Guidelines, importers and wholesale dealers and retail sellers must ensure that their health supplements do not contain the following substances:

- (a) any other active substance except those stated on the label;
- (b) any human part or substance derived from any part of the human body;
- (c) any substances controlled under the Poisons Act (Cap 234, 1999 Rev Ed);
- (d) any substances prohibited under the Sale of Drugs Act (Cap 282, 1985 Rev Ed);
- (e) more than the permitted limit of microbial contamination and toxic heavy metals as specified in Tables 1 and 2 in paragraph 7 of the HSA Health Supplements Guidelines;
- (f) more than the permitted limit of vitamins and minerals as specified in Tables 3 in paragraph 9 of the HSA Health Supplements Guidelines;
- (g) any substance specified in the List of Prohibited Substances as specified in Annex 1 of the HSA Health Supplements Guidelines;
- (h) any active substance that is a chemically-defined isolated constituent of plants, animals or minerals, or combination of them, that has documented inherent pharmacological properties that could lead to the use of the substance for a medicinal purpose;
- (i) any substance that may adversely affect a person’s health; and

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- (j) any ingredients derived from animal sources that can lead to animal-transmissible diseases.

In addition, importers, wholesale dealers and retail sellers must ensure that the standard of their health supplements is in compliance with the following:

- (a) the HSA's Health Supplement Claims Guidelines & General Principles for Claims in Health Supplements;
- (b) requirements for the shelf-life period, proper packaging and labelling; and
- (c) the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Import permit should be obtained if health supplements contain any substances listed under the Endangered Species (Import & Export) Act (Cap 92A, 2008 Rev Ed).

Cosmetic Products

Definition

Under section 2 of the First Schedule of the Health Products Act (Cap 122D, 2008 Rev Ed), the meaning of a "cosmetic product" is defined as follows:

"Cosmetic product" means any substance or preparation that is intended by its manufacturer to be placed in contact with the various external parts of the human body or with the teeth or the mucous membranes of the oral cavity, with a view exclusively or mainly to:

- (a) cleaning them;
- (b) perfuming them;
- (c) changing their appearance;
- (d) correcting body odours;
- (e) protecting them; or
- (f) keeping them in good condition."

Further, under Order 2(b) of the Medicines (Non-Medicinal Products) (Consolidation Order), "anti-wrinkle or rejuvenation substances" are not categorised as medicinal products.

Duties and obligations of importers, wholesale dealers and retail sellers of health supplements

Under the Health Products (Cosmetic Products — ASEAN Cosmetic Directive) Regulations 2007, any person who introduces a cosmetic product into Singapore must satisfy the following requirements:

- (a) notification requirement of cosmetic products to the HSA prior to the supply and/or sale of the cosmetic products;
- (b) content requirements;
- (c) labelling requirements; and
- (d) advertisement requirements.

REGULATORY OVERVIEW

In addition, the person responsible for placing a cosmetic product in the market must ensure that the following duties and obligations are properly discharged:

- (a) duty to maintain records of any supply of the cosmetic product; and
- (b) duty to report defects and adverse effects to the HAS.

Processed Food Products and Food Appliances

Definition

According to the working definition under the AVA Food & Food Products Guidelines, processed food products include all food products and supplements of food nature excluding meat products, fish products or fresh fruits and fresh vegetables. Some examples of processed food products include raw spices, raw or semi processed food ingredients, flour, bottled water, liquors, wines, confectioneries, noodles, pasta, milk products and cooking oil etc. Food appliances include food ware and utensils such as bowls, cups, plates, pans, chopsticks and spoons.

Duties and obligations of importers, wholesale dealers and retail sellers of health supplements

Pursuant to Part IVA of the Regulation of Imports and Exports Regulations (Cap 272A, Rg 1, 1999 Rev Ed) and Part XIVA of the Custom Regulations (Cap 70, Rg 2, 2009 Rev Ed), importers of processed food products and food appliances must satisfy the following:

- (a) registration with the Singapore Customs; and
- (b) acquisition of a registration number with the Quarantine & Inspection Department of the AVA for import permits.

In addition, importers and retailers of the processed food products and food appliances must ensure that the standards of their products and appliances are in compliance with the following requirements under the Sale of Food Act (Cap 283, 2002 Rev Ed) and Food Regulations (Cap 283, Rg 1, 2005 Rev Ed):

- (a) Food Content requirements;
- (b) Food Labelling requirements;
- (c) Food Advertisement requirements; and
- (d) Food Container requirements.

PRC

Sales of Food

License for Food Trading

Pursuant to Regulations on Food Safety Law of the PRC (中華人民共和國食品安全法) (the “**Food Safety Law**”), which was promulgated on 28 February 2009, revised on 24 April 2015 and with effect from 1 October 2015, and Implementing Rules on the Food Safety Law of the PRC (中華人民共和國食品安全法實施條例) (the “**Implementing Rules on the Food Safety Law**”), which was promulgated on 20

REGULATORY OVERVIEW

July 2009 and revised on 6 February 2016, the state adopts a licensing system for food production and trading. To engage in food production, food circulation, and catering services, the food operation license shall be obtained in accordance with the law.

According to the Administrative Measures for Food Operation Licensing (食品經營許可管理辦法), which was promulgated by the SAIC on 31 August 2015 and with effect on 1 October 1 2015, each enterprise which engages in food selling and catering services within the territory of the PRC shall obtain a food operation license. The validity term for a food operation licence is five years. If the food operators need to extend the validity period of their lawfully obtained food operation license, they shall file applications with the food and drug administrative authorities which originally issued the license 30 working days before its expiry.

Personnel Health Management System

In accordance with Food Safety Law as well as Implementing Rules on the Food Safety Law, Food producers and traders shall establish and implement a personnel health management system. The personnel suffering from any disease specified by the health administrative department of the State Council that affects the food safety shall not engage in work that involves contact with ready-to-eat food. Food producers and traders shall have physical check-up each year and shall obtain healthy certificates prior to working.

Food Import

Also under Food Safety Law as well as Implementing Rules on the Food Safety Law, the imported food, food additives and food-related products shall be consistent with the national food safety standards of China. A food importer shall apply for inspection with the entry and exit inspection and quarantine institution at the place of customs on the strength of necessary vouchers and relevant documents such as contract, invoices, packing note, bill of lading, etc. The imported food shall be subject to the inspection conducted by the institution for entry and exit inspection and quarantine, and the customs office shall release the imported food on the basis of a customs clearance certificate issued by the institution for entry and exit inspection and quarantine. For any food that is imported for the first time and has neither been regulated by the requirements of the national food safety standards or a new variety of food additives or a new variety of food-related products imported for the first time, the importer shall file an application with and submit the relevant safety assessment materials to the entry-exit inspection and quarantine institution.

The imported pre-packed food shall be accompanied with labels and instructions in Chinese. The labels and instructions shall be consistent with the provisions of this law and other relevant laws and administrative regulations of China and the requirements of the national food safety standards, and indicate the origin of food and name, address and contact methods of a domestic agent. Where any pre-packed food is not accompanied with labels or instructions in Chinese or the labels or instructions are not consistent with the requirements, the pre-packed food shall not be imported. The importer shall establish a food import and sale record system to truthfully record the names, specifications, quantities, dates of production, lot numbers of production or import, shelf life, names and contact methods of exporters, names, addresses, and contact methods of purchasers, dates of delivery, etc. of food. The food import and sale records shall be true, and shall be kept for at least six months after the expiry of the shelf-life of products, or at least two years for products without a clear shelf life.

Approval and registration for health food product

According to the Administration Rules of Health Food Products (保健食品管理辦法) issued by the China Ministry of Health on 15 March 1996, health food products refers to the food with specific health care functions, that is, the food is suitable for specific groups due to its body regulating functions and not for the purpose to disease treatment. According to the Administrative Measures for the Registration and Recording of Dietary Supplements (保健食品註冊與備案管理辦法) (the “**Administration Measures**”)

REGULATORY OVERVIEW

promulgated by the CFDA on 26 February 2016 and effective from 1 July 2016, (i) firstly imported health food products (excluding those which provide nutrients such as vitamins and minerals) or health food products using raw materials beyond the raw materials catalogue for health food products shall apply for registration with CFDA; (ii) firstly imported health food products which provide nutrients such as vitamin and minerals shall fill for record with CFDA; and (iii) health food products using raw materials that are included in the raw materials catalogue for health food products shall fill for record with the food and drug authorities of all provinces, autonomous regions and municipalities directly under the Central Government.

Product Quality

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (中華人民共和國產品質量法) (the “**Product Quality Law**”), which was promulgated by the Standing Committee of NPC on February 22, 1993 and amended on 8 July 2000. The Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

According to the Product Quality Law, Sellers shall implement the system of examination and acceptance of goods procured, to verify the product quality certificates and other marks. Sellers shall be liable for compensation at events: (i) if the damages caused to the property of others are due to defects resulting from the fault on the part of sellers; And (ii) they cannot identify the producers or suppliers of the defective products. Further, the sellers have the right to recover their losses from the producers if the liability lies on the producers.

Consumer Protection

In October 1993, China adopted the Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法) (the “**Consumer Protection Law**”) which was revised on 27 August 2009 and 25 October 2013. Under the Consumer Protection Law, a business operator providing a commodity or service to a consumer is subject to a number of requirements, including the following:

- ensuring that commodities and services meet with certain safety requirements;
- disclosing defects of a commodity or a service that may endanger personal or property safety and adopting preventive measures against damage occurrence;
- providing consumers with accurate information and refraining from conducting false advertising;
- not setting unreasonable or unfair terms for consumers or alleviating or releasing itself from civil liability for harming the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices or other means; and
- not insulting or slandering consumers or conducting searches on consumers or articles carried by consumers or infringing upon the personal freedom of a consumer.

Business operators may be subject to civil liabilities for failing to fulfill the obligations discussed above. These liabilities include restoring the consumer's reputation, eliminating the adverse effects suffered by the consumer, and offering an apology and compensation for any loss incurred. The following penalties may also be imposed upon business operators for the breach of these obligations: issuance of a warning, confiscation of any illegal income, imposition of a fine, an order to cease business operations, revocation of business license or imposition of criminal liabilities under circumstances that are specified in laws and statutory regulations.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY OF OUR GROUP

Business History

Mr. Choy and Mrs. Choy founded our Group with the incorporation of Truth & Faith (Hong Kong) in November 2001 by using their personal savings. Prior to setting up our Group, they had been engaged in the business of trading and distribution in Hong Kong. To explore the business opportunity in respect of health and personal care products in Hong Kong, Mr. Choy and Mrs. Choy studied the ingredients and functions of different brands (including “Organic Nature”) of health and personal care products and conducted trial sale of the same between 2001 and 2002. During that period of time, Mr. Choy and Mrs. Choy also approached a number of manufacturers of health and personal care products in Australia to negotiate for the rights of distributing their products in Hong Kong.

In 2002, we became the exclusive distributor of certain products of “Organic Nature” in Hong Kong and Macau and such exclusive distributorship extended to cover the PRC in 2004. In light of our performance, we were granted the exclusive right to distribute all “Organic Nature” products which we selected worldwide in 2014.

We started distribution of certain “Top Life” products in Hong Kong in 2010. Leveraging on our brand management experience, we obtained the exclusive right to distribute certain products of “Top Life” brand via certain sales channels in the PRC in 2011 which later extended to cover Hong Kong in 2014. Also, since 2007, we have been distributing “Superbee” honey and pollen products in Hong Kong and Macau exclusively.

Over the years, our sales channels have evolved from consignment and wholesale to having our own specialty stores. In 2012, our first specialty store was set up which formally marked the launch of our Group’s brand “澳至尊” among retail customers. As at the Latest Practicable Date, we operated 13 specialty stores and 75 consignment sales counters in Hong Kong and Macau offering a wide spectrum of 61 health supplement products, 21 honey and pollen products and 11 personal care products. The products of the brands that we manage are also sold in Singapore.

Business Milestones

Set forth below is a chronological overview of the key business milestones of our Group:

<u>Date</u>	<u>Event/milestones</u>
2001	Truth & Faith (Hong Kong) was incorporated in Hong Kong
2002	We became the exclusive distributor of certain products of “Organic Nature” in Hong Kong and Macau
2004	We also became the exclusive distributor of certain products of “Organic Nature” in the PRC
2005	First accredited by the Quality Tourism Service Scheme of the Hong Kong Tourism Board
2007	We became the exclusive distributor of “Superbee” honey and pollen products in Hong Kong and Macau

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

<u>Date</u>	<u>Event/milestones</u>
2010	Miracle Natural was incorporated in Hong Kong We started distribution of certain “Top Life” products in Hong Kong
2011	Truth & Faith (Shenzhen) was incorporated in the PRC Truth & Faith (Macau) was incorporated in Macau We became the exclusive distributor of certain products of “Top Life” via certain sales channel in PRC Being granted the “The AustCham Austrade Business Promotion Finalist Award 2011 (Award Finalist)” by the Australian Chamber of Commerce Hong Kong and Macau
2012	Opening of our first specialty shop in Hong Kong
2013	Truth & Faith (Singapore) was incorporated in Singapore
2014	Awarded “Hong Kong Top Brand Awards” by Hong Kong Brand Development Council and the Chinese Manufacturers’ Association of Hong Kong Opening of our first specialty shop in Macau We also became the exclusive distributor of certain products of “Top Life” in Hong Kong
2015	Truth & Faith (Shenzhen) was dissolved The entire issued share capital of Truth & Faith (Singapore) was disposed of by our Group

Details of the awards of our Group are set out in the section headed “Business — Awards and Recognitions” in this prospectus.

Our Company was incorporated in the Cayman Islands with limited liability on 17 April 2015. Our Group completed the Reorganisation on 30 June 2016 in preparation for the Listing pursuant to which our Company became the holding company of our Group. Details of the Reorganisation are set out in the paragraph headed “Reorganisation” in this section.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE HISTORY

As at the Latest Practicable Date, our Group comprised our Company, four operating subsidiaries and four BVI intermediate holding subsidiaries.

Set out below are the particulars of all our Company and our subsidiaries as at the Latest Practicable Date.

<u>Name of companies</u>	<u>Principal business activities</u>	<u>Date of incorporation</u>	<u>Interest attributable to our Group</u>
Ausupreme International Holdings Limited.	Investment holding	17 April 2015	100%
Truth & Faith (Hong Kong).	Retail and wholesale of our health and personal care products	16 November 2001	100%
Miracle Natural.	Wholesale of our health and personal care products	12 May 2010	100%
Ausupreme	Holding company of trademarks	9 March 2015	100%
Truth & Faith (Macau).	Retail of our health and personal care products in Macau	12 October 2011	100%
Patience, Goodness, Faithfulness, and Gentleness.	Intermediate holding companies of our Group	16 June 2015	100%

Mr. Choy and Mrs. Choy held the position of directors in our four operating subsidiaries and four BVI intermediate holding companies as at the Latest Practicable Date.

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

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Our Company

On 17 April 2015, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 per Share. One Share was allotted and issued as fully paid share to the subscriber to the memorandum and articles of association of our Company, which was later transferred to Beatitudes on 17 April 2015. Our Company is an investment holding company of our Group.

For further changes which were made in connection with the Reorganisation in the shareholding of our Company, please refer to the paragraph headed “Reorganisation” in this section.

Truth & Faith (Hong Kong)

On 16 November 2001, Truth & Faith (Hong Kong) was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares. As at the commencement date of the Track Record Period, the entire share capital of Truth & Faith (Hong Kong) had been issued and fully paid up and were owned by Mr. Choy and Mrs. Choy as to 50% (or 5,000 shares) each. Truth & Faith (Hong Kong) principally engages in retail and wholesale of our health and personal care products.

For further changes which were made in connection with the Reorganisation in the shareholding of Truth & Faith (Hong Kong), please refer to the paragraph headed “Reorganisation” in this section.

Miracle Natural

On 12 May 2010, Miracle Natural was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares. As at the commencement date of the Track Record Period, two shares of Miracle Natural had been issued and fully paid up and were owned by Mr. Choy and Mrs. Choy as to 50% (or one share) each. Miracle Natural principally engages in wholesale of our health and personal care products.

For further changes which were made in connection with the Reorganisation in the shareholding of Miracle Natural, please refer to the paragraph headed “Reorganisation” in this section.

Ausupreme

On 9 March 2015, Ausupreme was incorporated in Hong Kong as a limited liability company with a total amount of issued share capital of HK\$2 divided into two shares, which were fully paid up and owned by Mr. Choy and Mrs. Choy as to 50% (or one share) each. Ausupreme is a company of our Group for holding trademarks.

For further changes which were made in connection with the Reorganisation in the shareholding of Ausupreme, please refer to the paragraph headed “Reorganisation” in this section.

Truth & Faith (Macau)

On 12 October 2011, Truth & Faith (Macau) was incorporated in Macau as a limited liability company by quota shares with a share capital of MOP50,000. As at the commencement date of the Track Record Period, the entire share capital of Truth & Faith (Macau) had been issued and paid up and were owned by Mr. Choy and Mrs. Choy as to 50% (or MOP25,000) each. Truth & Faith (Macau) principally engages in retail of our health and personal care products in Macau.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

For further changes which were made in connection with the Reorganisation in the shareholding of Truth & Faith (Macau), please refer to the paragraph headed “Reorganisation” in this section.

Patience, Goodness, Faithfulness and Gentleness

On 16 June 2015, Patience, Goodness, Faithfulness and Gentleness were incorporated in the BVI as limited liability companies each with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares with a par value of US\$1.00 per share. One share of each company was allotted and issued as fully paid share to Beatitudes on 16 June 2015 respectively. These BVI companies are intermediate holding companies of our Group.

During the Track Record Period, Truth & Faith (Shenzhen) was dissolved and the entire issued share capital of Truth & Faith (Singapore) was disposal of by our Group. Set out below is their respective corporate history.

Truth & Faith (Shenzhen)

Truth & Faith (Shenzhen) was established in the PRC as a limited liability company on 20 September 2011 with a registered capital of RMB1,000,000. On 9 November 2011, the entire registered share capital of Truth & Faith (Shenzhen) was fully paid up by Mr. Choy.

On 7 August 2013, Mr. Choy and Truth & Faith (Hong Kong) entered into an equity transfer agreement pursuant to which Truth & Faith (Hong Kong) acquired all equity interest in Truth & Faith (Shenzhen) at the cash consideration of RMB1,000,000. The transfer was legally completed on 20 August 2013.

On 15 December 2014, the increase of registered capital of Truth & Faith (Shenzhen) was legally completed whereby the registered capital was increased by RMB2,000,000 from RMB1,000,000 to RMB3,000,000. The additional registered capital was fully paid-up by Truth & Faith (Hong Kong). The shareholding of Truth & Faith (Shenzhen) remained unchanged after the aforesaid increase in registered capital.

On 13 February 2015, the shareholders of Truth & Faith (Hong Kong) resolved to dissolve Truth & Faith (Shenzhen) and the dissolution was completed on 27 May 2015.

Truth & Faith (Shenzhen) principally engages in retail and wholesale of our health and personal care products in the PRC prior to its dissolution. For further information of the dissolution, please refer to the paragraph headed “Reorganisation — Dissolution of Truth & Faith (Shenzhen)” in this section.

Truth & Faith (Singapore)

On 26 September 2013, Truth & Faith (Singapore) was incorporated in Singapore as a limited liability company with a share capital of SGD10,000 divided into 10,000 ordinary shares with a value of SGD1.00 each, all of which were issued and paid up by Truth & Faith (Hong Kong).

On 24 March 2014, Truth & Faith (Singapore) allotted 190,000 ordinary shares with a value of SGD1.00 each, all of which had been issued and paid up by Truth & Faith (Hong Kong).

On 31 August 2015, Truth & Faith (Hong Kong) as the vendor and Seen Peng Ying (a director of Truth & Faith (Singapore) since its incorporation) as the purchaser entered into a share purchase agreement, pursuant to which the latter acquired the entire issued share capital of Truth & Faith (Singapore) from Truth & Faith (Hong Kong) at the consideration of SGD1,000. The transfer of the entire issued capital of Truth & Faith (Singapore) was completed on 31 August 2015.

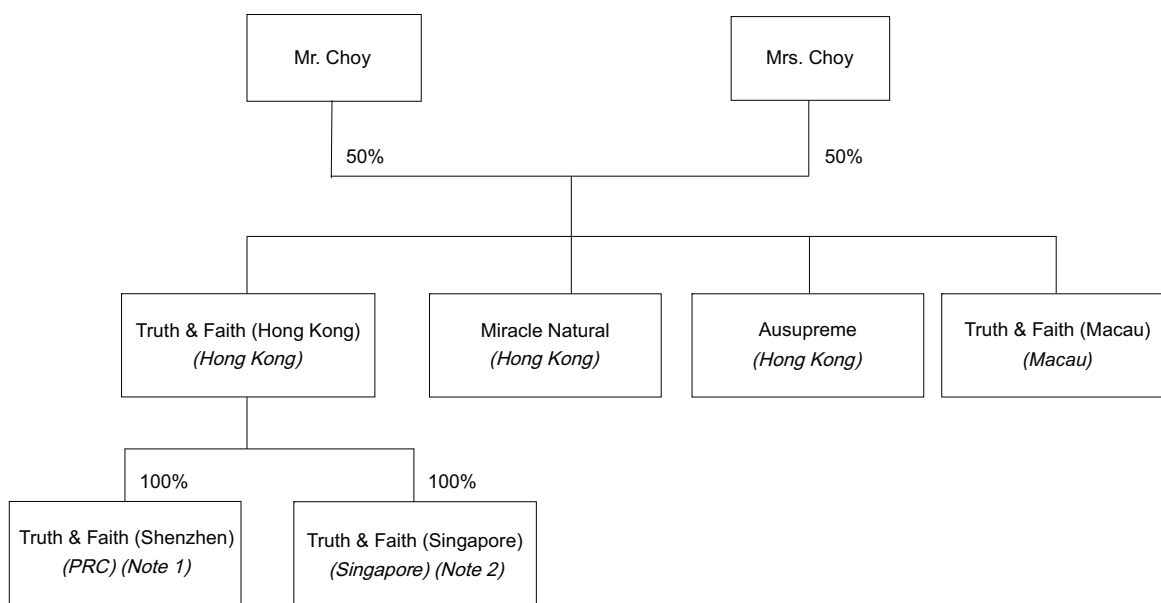
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Truth & Faith (Singapore) principally engages in retail and wholesale of our health and personal care products in Singapore prior to our disposal. For further information of the disposal, please refer to the paragraph headed “Reorganisation — Disposal of Truth & Faith (Singapore)” in this section.

REORGANISATION

Our Group Structure

The following chart sets out the structure of our Group immediately before the Reorganisation:



Notes:

1. Truth & Faith (Shenzhen) was duly dissolved on 27 May 2015.
2. The entire issued share capital of Truth & Faith (Singapore) was disposed of by Truth & Faith (Hong Kong) on 31 August 2015.

Set out below are the details of the above dissolution and disposal of our subsidiaries during the Track Record Period.

Dissolution of Truth & Faith (Shenzhen)

Truth & Faith (Shenzhen) was established in September 2011 with a registered shared capital of RMB1,000,000 wholly owned by Mr. Choy for the expansion of our business operation into the rapidly growing PRC market to capture the rising demand of our products from the health conscious consumers in the PRC. In August 2013, a share transfer agreement was signed between Mr. Choy and Truth & Faith (Hong Kong) whereby Mr. Choy's entire equity interest in Truth & Faith (Shenzhen) was transferred to Truth & Faith (Hong Kong) at the consideration of RMB1,000,000 for streamlining our Group's structure. Truth & Faith (Shenzhen) became a subsidiary of Truth & Faith (Hong Kong) since then.

In 2012, we started consignment sales via our sales counters at a consignee retail chain of personal care and beauty products in the PRC to extend and enhance our brand recognition among our target customer in the PRC. In 2014, leveraging on the successful experience of our specialty stores in

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Hong Kong, we opened two specialty stores in popular shopping malls with high pedestrian flow in Guangzhou where registered products under our “Organic Nature” and “Top Life” brands were sold. Our “Top Life” products sold in the PRC were supplied by a PRC subsidiary of Homart, which was then responsible for the legal compliance of the importation of our products under PRC laws and regulations.

Such operation was subsequently found not profitable after several months of trial operations as our management considered that the rental expenses and administrative costs of operating the two specialty stores in the PRC were high. In addition, our competitiveness was impacted by the PRC Import Duty (進口稅) and Value-added Tax (增值稅), which were at the rate of 20% over the value of our imported products and 17% to the sales of our products respectively. During the Track Record Period, Truth & Faith (Shenzhen) was also liable for paying the PRC Enterprise Income Tax (企業所得稅) at the rate of 25% of the value for the taxable income derived from production of goods and business activities. All these expenses and taxes had rendered our operation in the PRC cost-inefficient.

Apart from the consideration of the operating results, our management was of the view that the PRC laws and regulations are subject to change from time to time. The cost for keeping abreast of the potential changes and related compliance was high.

Taking the above factors into account, our management was concerned about the return on investment to our Group if we continued our direct sales in the PRC. We believed that it would be more cost-efficient and in the interest of our Group to adopt an alternative business model for our operations in the PRC, instead of continuing our own direct sales.

Our Group started negotiation in early 2015 and successfully entered into a sales agreement with one of China’s top shopping platforms in March 2015, pursuant to which our products will be sold to their e-commerce platform in Hong Kong for their onwards sales across the PRC. Under the sales agreement, our Group is no longer liable for paying any PRC tax. Furthermore, the platform (instead of our Group) should be liable for obtaining the permissions or approvals in respect of the sale of our products under PRC laws and regulations. For details of our PRC sales operation, please refer to the section headed “Business — Sales and Distribution — Online Shopping Platforms in China” in this prospectus.

In light of the new sales operation model, we ceased our consignment sales as well as the operation of our two specialty stores in the PRC in April 2015. As Truth & Faith (Shenzhen) is not expected to carry out any business in the PRC afterwards, our management decided to dissolve Truth & Faith (Shenzhen), which was completed on 27 May 2015.

As confirmed by our PRC legal adviser, the dissolution procedures of Truth & Faith (Shenzhen) were completed and its legal entity had been dissolved in accordance with PRC laws. No liability or penalty is attributable to our Group regarding the operation of Truth & Faith (Shenzhen). Truth & Faith (Shenzhen) has complied with the relevant PRC laws and regulations in relation to its business in all material aspects since its incorporation and up to the date of the dissolution.

Disposal of Truth & Faith (Singapore)

Truth & Faith (Singapore) was incorporated in September 2013 as a limited liability company with share capital of SGD10,000, all of which were issued and paid up by Truth & Faith (Hong Kong), for the expansion of our business in Singapore.

Shortly after the incorporation, our Group opened the first specialty store in Singapore in November 2013 and the second one in July 2014, whereby our Group introduced and established our brand in Singapore.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

In August 2015, after considering the growth potential of the Singaporean market and the operating results of Truth & Faith (Singapore), our management decided that it would be more efficient (in term of costs and risk management) for our Group to develop the Singapore market by sales via distributorship (instead of continuing to operate our specialty stores there). On 31 August 2015, Truth & Faith (Hong Kong) entered into a share purchase agreement to transfer the entire issued share capital of Truth & Faith (Singapore) to a director of Truth & Faith (Singapore) in the consideration of SGD1,000. The consideration was determined based on the net assets value plus premium of Truth & Faith (Singapore) according to its management account as at 31 August 2015.

The share transfer of Truth & Faith (Singapore) was completed on 31 August 2015 in accordance with Singapore laws and regulations. Our Directors confirm that there were no current or pending legal proceedings instituted by or against Truth & Faith (Singapore) from the date of its incorporation and up to the Latest Practicable Date.

After the completion of the share transfer and on the same day, our Group also entered into a distribution agreement and licence agreement with Truth & Faith (Singapore), under which the latter has become the exclusive distributor of our “Organic Nature” products in Singapore and was licensed to use our Group’s trademarks registered in Singapore to promote, sell and distribute our products for 3 years. For details, please refer to the section headed “Business — Sales and Distribution — Sales Distributor in Singapore” in prospectus.

Incorporation of the offshore investment vehicle

The companies comprising our Group underwent the Reorganisation to rationalise our Group’s structure in preparation for the listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group.

The Reorganisation included the following major steps:

- (1) On 8 April 2015, Beatitudes was incorporated in the BVI with a maximum number of authorised shares of 50,000 shares of US\$1.00 each. On 8 April 2015, each of Mr. Choy and Mrs. Choy was allotted and issued at par 50 and 50 fully paid ordinary shares, representing 50% and 50% of the issued share capital of Beatitudes, respectively;
- (2) On 17 April 2015, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 per share. One Share was allotted and issued as fully paid share to the subscriber to the memorandum and articles of association of our Company, which was later transferred to Beatitudes on 17 April 2015;
- (3) On 16 June 2015, Patience was incorporated in the BVI with a maximum number of authorised shares of 50,000 shares of US\$1.00 each. One fully paid share was allotted and issued at par to Beatitudes on 16 June 2015;
- (4) On 16 June 2015, Goodness was incorporated in the BVI with a maximum number of authorised shares of 50,000 shares of US\$1.00 each. One fully paid share was allotted and issued at par to Beatitudes on 16 June 2015;
- (5) On 16 June 2015, Faithfulness was incorporated in the BVI with a maximum number of authorised shares of 50,000 shares of US\$1.00 each. One fully paid share was allotted and issued at par to Beatitudes on 16 June 2015;

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (6) On 16 June 2015, Gentleness was incorporated in the BVI with a maximum number of authorised shares of 50,000 shares of US\$1.00 each. One fully paid share was allotted and issued at par to Beatitudes on 16 June 2015;
- (7) On 29 June 2016, Patience as purchaser and Mr. Choy and Mrs. Choy as vendors entered into instruments of transfer and bought and sold notes, pursuant to which Patience acquired:
- i. 5,000 ordinary shares (or 50%) of Truth & Faith (Hong Kong) from Mr. Choy in consideration of Patience allotting and issuing 500 new shares to Beatitudes (as directed by Mr. Choy), all credited as fully paid; and
 - ii. 5,000 ordinary shares (or 50%) of Truth & Faith (Hong Kong) from Mrs. Choy in consideration of Patience allotting and issuing 500 new shares to Beatitudes (as directed by Mrs. Choy), all credited as fully paid.

After the aforesaid share transfers, Patience held an aggregate of 10,000 ordinary shares, being the entire issued share capital of Truth & Faith (Hong Kong), and Truth and Faith (Hong Kong) became a wholly-owned subsidiary of Patience.

- (8) On 29 June 2016, Goodness as purchaser and Mr. Choy and Mrs. Choy as vendors entered into instruments of transfer and bought and sold notes, pursuant to which Goodness acquired:
- i. one ordinary share (or 50%) of Miracle Natural from Mr. Choy in consideration of Goodness allotting and issuing 500 new shares to Beatitudes (as directed Mr. Choy), all credited as fully paid; and
 - ii. one ordinary share (or 50%) of Miracle Natural from Mrs. Choy in consideration of Goodness allotting and issuing 500 new shares to Beatitudes (as directed by Mrs. Choy), all credited as fully paid.

After the aforesaid share transfers, Goodness held an aggregate of two ordinary shares, being the entire issued share capital of Miracle Natural, and Miracle Natural became a wholly-owned subsidiary of Goodness.

- (9) On 29 June 2016, Faithfulness as purchaser and Mr. Choy and Mrs. Choy as vendors entered into instruments of transfer and bought and sold notes, pursuant to which Faithfulness acquired:
- i. one ordinary share (or 50%) of Ausupreme from Mr. Choy in consideration of Faithfulness allotting and issuing 500 new shares to Beatitudes (as directed by Mr. Choy), all credited as fully paid; and
 - ii. one ordinary share (or 50%) of Ausupreme from Mrs. Choy in consideration of Faithfulness allotting and issuing 500 new shares to Beatitudes (as directed by Mrs. Choy), all credited as fully paid.

After the aforesaid share transfers, Faithfulness held an aggregate of two ordinary shares, being the entire issued share capital of Ausupreme, and Ausupreme became a wholly-owned subsidiary of Faithfulness.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (10) On 29 June 2016, Gentleness as purchaser and Mr. Choy and Mrs. Choy as vendors entered into instruments of transfer, pursuant to which Gentleness acquired:
- i. one share quota (MOP25,000 or 50%) of Truth & Faith (Macau) from Mr. Choy in consideration of Gentleness allotting and issuing 500 new shares to Beatitudes (as directed by Mr. Choy), all credited as fully paid; and
 - ii. one share quota (MOP25,000 or 50%) of Truth & Faith (Macau) from Mrs. Choy in consideration of Gentleness allotting and issuing 500 new shares to Beatitudes (as directed by Mrs. Choy), all credited as fully paid.

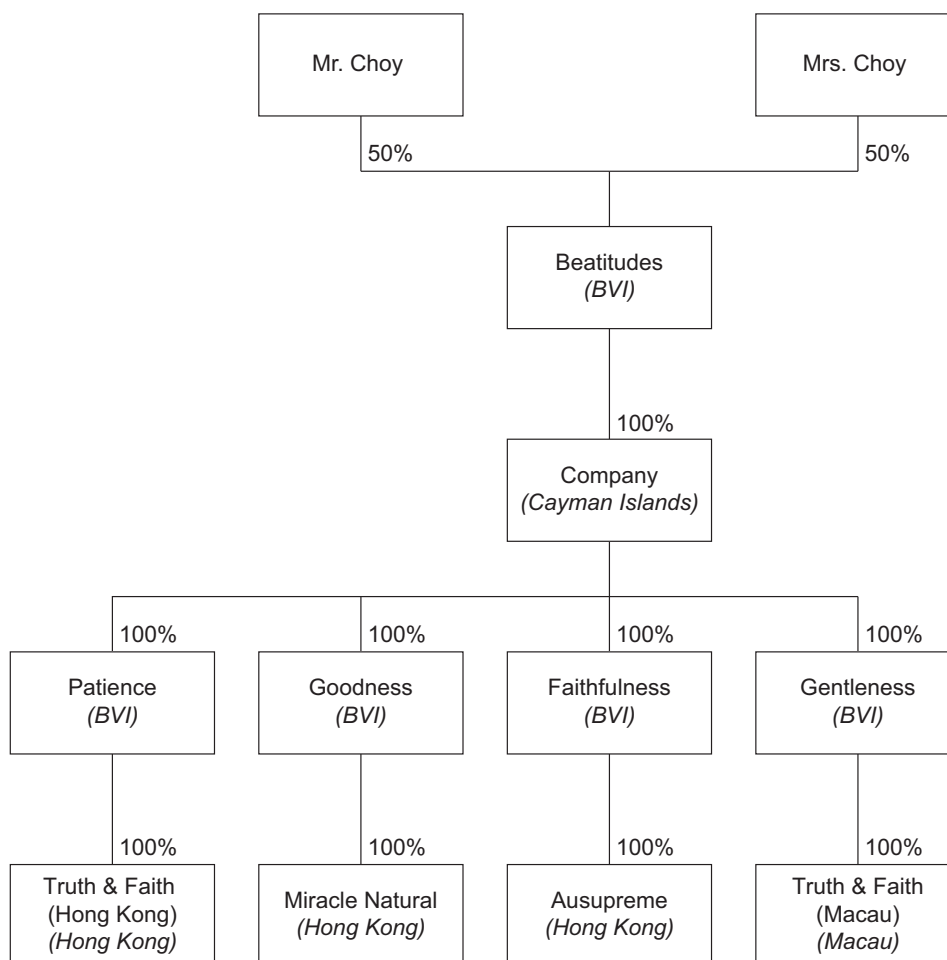
After the aforesaid share transfers, Gentleness held an aggregate of two share quotas (or MOP50,000), being the entire issued share capital of Truth & Faith (Macau), and Truth & Faith (Macau) became a wholly-owned subsidiary of Gentleness.

- (11) On 30 June 2016, Beatitudes as vendor and our Company as purchaser (among Mr. Choy and Mrs. Choy) entered into a sale and purchase agreement, pursuant to which our Company acquired (i) the entire issued share capital of Patience in consideration of 5,082 Shares to be allotted and issued to Beatitudes, credited as fully paid; (ii) the entire issued share capital of Goodness in consideration of 4,101 Shares to be allotted and issued to Beatitudes, credited as fully paid; (iii) the entire issued share capital of Faithfulness in consideration of 1 Share to be allotted and issued to Beatitudes, credited as fully paid; and (iv) the entire issued share capital of Gentleness in consideration of 815 Shares to be allotted and issued to Beatitudes, credited as fully paid.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

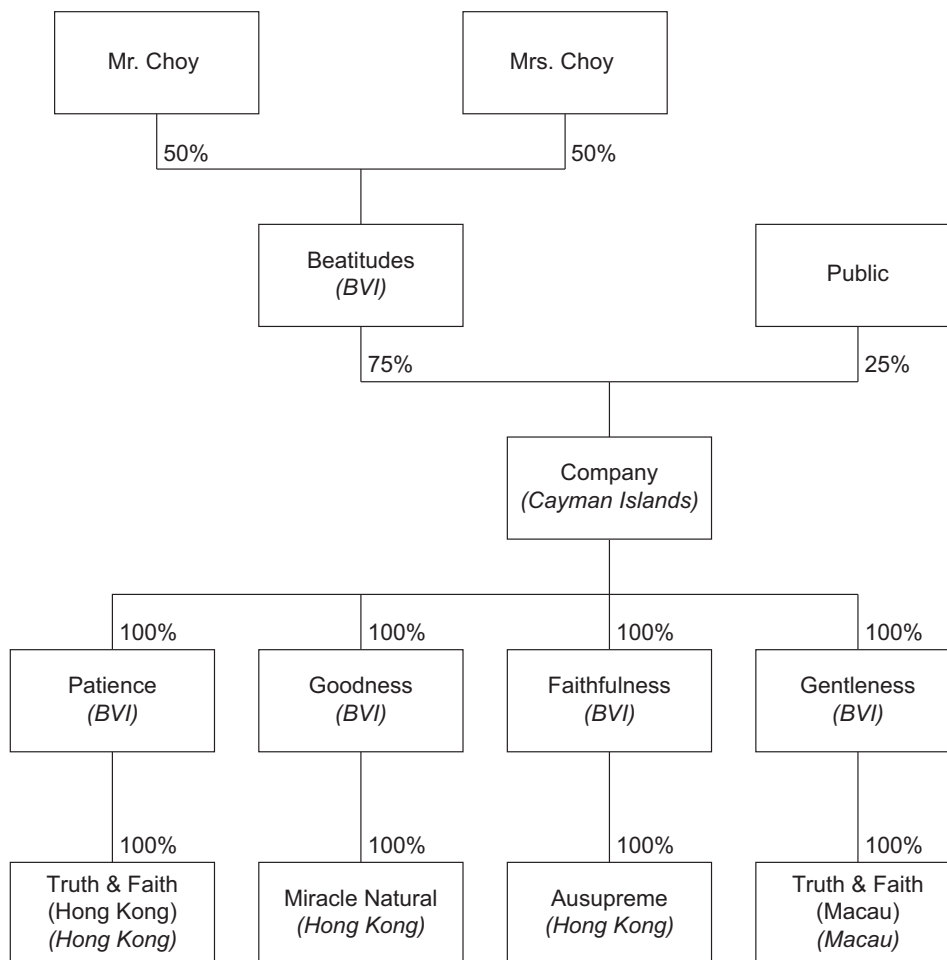
Immediately after completion of the share transfer referred to in item (11) above, our Company became the holding company of our Group.

The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Global Offering and the Capitalisation Issue:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram sets out the corporate structure of our Group immediately after completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised):



OVERVIEW

We are a Hong Kong-based brand builder and retailer of health and personal care products focusing on the developing, marketing, selling and distributing of the branded products managed by us through our “澳至尊” sales and distribution network. Our health and personal care products can be broadly classified by nature into three major types: (i) health supplement products; (ii) honey and pollen products; and (iii) personal care products.

Our Directors are of the view that our success is attributed to the brand image which “澳至尊” associates with. Our consumers purchase health and personal care products from us because of their confidence in our proprietary “澳至尊” brand. Our Group has successfully invoked the core value and focus of “澳至尊” — quality health and personal care products vastly sourced from Australia with active ingredients from extracts of natural resources to our consumers.

Since the founding of our Group in 2001, we have principally been building our “澳至尊” brand by identifying, managing, marketing, selling and distributing a wide variety of quality health and personal care products under various brands managed by us. The active ingredients in these health supplement products are primarily extracts from natural resources including plants and animals, which are aimed to enhance the general physical health or specific body functions of the consumers. We regard ourselves as a brand builder and management company focusing on health and personal care products, most of which are sourced from our well-established brand proprietors, produced and packaged either in GMP-certified factories with licences to manufacture therapeutic goods issued by TGA or factory with HACCP certificate granted by SGS Systems and Services Certification Pty Ltd for liquid honey products.

We have so far developed and managed mainly three brands, namely “Organic Nature”, “Top Life” and “Superbee”. We purchased finished products from our three major brand proprietors/suppliers, HCL, Homart and Bee Wonderful in Australia which accounted for approximately 99.7%, 100% and 100% of our total purchases for the three years ended 31 March 2016. We entered into exclusive distribution agreements with the brand proprietors for management of the brands and the sale and distribution of certain selected products on an exclusive basis in certain regions as a result of our long-term and stable business relationships. Since 2014, all products under the “Organic Nature” brand are now solely distributed by us worldwide. Some of our “Organic Nature” products are marketed with the Chinese characters “澳至尊” along side with the brand “Organic Nature”, labeling as the flagship products under our own-brand sales and distribution network. In 2007 and 2011, we were further engaged in the sale of a variety of honey and pollen products under the brand of “Superbee” with an exclusive distribution right in Hong Kong and Macau, and a variety of health supplement products and personal care products under the brand of “Top Life” with exclusive distribution right in Hong Kong. As at the Latest Practicable Date, we offered a diversified spectrum of health and personal care products, including 61 health supplement products, 21 honey and pollen products and 11 personal care products.

Growing along with our brand reputation and customer base, our products are sold under our well established multi-channel “澳至尊” sales and distribution network, including retail sales at our self-operated specialty stores in Hong Kong and Macau, consignment sales (including counter sales and shelf product sales) at the consignee stores in Hong Kong and Macau, wholesale sales to individual and chain retailers, online shopping platforms in China, online sales through our own website and sales in Singapore via an exclusive distributor. We also sell our products in exhibitions and trade fairs.

For the three years ended 31 March 2016, our Group generated revenue of approximately HK\$195.5 million, HK\$225.8 million and HK\$210.8 million. Our net profit was approximately HK\$34.6 million, HK\$23.2 million and HK\$12.3 million for the respective years.

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According to the Euromonitor Report, our health supplement products under the brand of “Organic Nature” captures 3.2%, ranked eighth, of the retail sales in the Hong Kong health supplement products market in 2014. Our “Organic Nature” health supplement products namely milk thistle, berry and squalene are top sellers, ranked first, while fish oil ranked second and royal jelly ranked third, in terms of retail sales of each product in the Hong Kong health supplement products market in 2014.

We pride ourselves on the customer services provided by our well-trained sales promoters at our specialty stores and consignment sales counters, which enable us to build strong customer confidence and loyalty in the brands managed and products sold by us. Our well-established “澳至尊” brand and other brands managed by our Group have become known for health and personal care products sold in Hong Kong. Our Group has received numerous awards, some of the significant awards include “Hong Kong Top Brand” awarded by Hong Kong Brand Development Council and The Chinese Manufacturers’ Association of Hong Kong, “Hong Kong Brand Conscience Award” awarded by the Hong Kong Institute of Marketing, and “Medical Practitioners’ Most Trusted Brand of Natural Health Food” awarded by the Hong Kong Health Care Federation.

COMPETITIVE STRENGTHS

Our Directors take the view that our success and future prospects are based on a combination of the following competitive strengths:

Multi-faceted marketing strategy and sales and distribution networks associated with the well recognised and trusted brand image of “澳至尊” attributing to our leading position in the health and personal care products market

We believe that our success is attributed to the brand image which “澳至尊” associates with. Our consumers purchase health supplement and personal care products from our Group because of their confidence in our proprietary “澳至尊” brand. Our Group has successfully invoked the core value and focus of “澳至尊” — quality health and personal care products vastly sourced from Australia with ingredients from extracts of natural resources to our consumers. Our multi-faceted marketing strategy has effectively associated “澳至尊” with healthy lifestyle and highlights the benefits of our health supplement and personal care products.

Our multi-faceted marketing strategy is carried out effectively through our established sales and distribution network and professional customer services. In order to further enhance our brand image, we advertise through various media, such as television, printed media, billboards and online channels and have engaged two well-known artists, Ada Choi Siu Fun (蔡少芬) and Zhang Jin (張晉) in Hong Kong and Macau with healthy image as our brand spokespersons. The continuous expansion of our sales network during the Track Record Period had accelerated the penetration of the branded products managed by us into the consumer market in Hong Kong and strengthening “澳至尊”’s brand image. Our products are sold to end customers through our extensive multi-channel “澳至尊” sales and distribution network of primarily our self operated specialty stores and third-party retail consignee stores, covering different districts in Hong Kong and Macau. As such, different brand proprietors would appoint our Group as the sole distributor and brand manager of their products in Hong Kong and Macau in order to penetrate into the Hong Kong and Macau market. Our Group believes that our established sales network provides us with a solid foundation to expand the sales of branded products managed by us thereby enhancing “澳至尊” market recognition.

Our Directors believe that our customer’s loyalty to our products is built upon the brand image which “澳至尊” associates with. Some of the health supplement products under the “Organic Nature” brand are marketed and packaged together with the Chinese characters “澳至尊” labeling as the flagship products under our own branded sales and distribution network. In addition, we also believe that our long established relationships with some of the major chain retailers in Hong Kong and Macau,

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allow us to bargain for prominent sales counters and shelf locations in the stores at a more favourable price. We operate an effective sales network of 13 strategically located specialty stores and 75 consignment sales counters in Hong Kong and Macau as at the Latest Practicable Date. Our specialty stores are mostly located in MTR stations in view of the high pedestrian flow, and we strategically locate our consignment sales counters mostly in stores of major health care product retail chains and/or major cosmetics retail chains, in view of their large customer base.

With the effective marketing strategy and established sales and distribution network and professional customer services, our Group has successfully developed the “Organic Nature” brand as one of the leading brands of health supplement products in Hong Kong and have been continuously developing and promoting other quality brands and products into our sales network. We believe our success is attributable to our ability to identify and select products with popular demand and growth potential. According to the Euromonitor Report, “Organic Nature” is one of the most well-recognised health supplement brands in Hong Kong and numerous “Organic Nature” health supplement products, including milk thistle, fish oil, berry, squalene and royal jelly products are one of the top sellers in Hong Kong in 2014. Our “Organic Nature” and “Top Life” health supplement products are also estimated to occupy a total of approximately 4.0% of the health supplement products market in Hong Kong in 2014. Leveraging on our retailer in-depth understanding of the industry and market trend, we closely communicate and elaborate with our front line sales in anticipation of our customers’ future needs. We continuously strive to identify and introduce products based on the preferences, needs and dietary habits of consumers, aiming to supplement their daily diets and offer them natural remedy to address their health concerns and body conditions.

As at the Latest Practicable Date, we offer a wide selection of 61 health supplement products mainly under the “Organic Nature” and “Top Life” brands, and 21 honey and pollen products under the “Superbee” brands, catering for consumers with varying needs depending on their health condition, age, gender and consumption preference. We also offer a selection of 11 personal care products which are made in Australia, including moisturizing cream and serum, under the “Organic Nature”, “Top Life” and “Golden Hive” brands to broaden our variety of products offered for sale.

We believe the health and personal care products markets in Hong Kong and Asia in general will continue to expand because of the growing interest in health and wellness, increasing awareness of the benefits of health and personal care products, and the aging population. In particular, we believe that premium natural health supplement products will gain popularity among the middle-class and health conscious consumers who are concerned about the possible adverse drug effects or safety risks related to artificial synthetic supplement products. We believe our marketing strategy, strong sales network and well-trained customer service team will continue to strengthen our brand image and customer base. Our leading market position, strong brand recognition and customers’ confidence on the quality of our products provide us with a favourable position to capture the demand of the health and personal care products market and allow us to maintain an overall gross profit margin of over 80% during the Track Record Period.

Stable exclusive distribution rights based on mutual and complementary relationship with our suppliers

We have maintained stable and long relationships with our major suppliers, who accounted for approximately 99.7%, 100% and 100% of our total purchase for the three years ended 31 March 2016 such suppliers are well-established suppliers in Australia with whom we have over five years of business relationship. During the Track Record Period, a majority of the products we sourced are health supplement products and personal care products are under the “Organic Nature” brand and the “Top Life” brand whereas majority of the honey and pollen products under the “Superbee” brand. Among them, most of our health supplement products are primarily sourced from well-established suppliers,

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produced and packaged in GMP-certified factories with licences to manufacture therapeutic goods issued by TGA or factory with HACCP certificate granted by SGS Systems and Services Certification Pty Ltd for liquid honey products.

As a result of our strong and stable relationships with our major brand proprietors, we have been granted rights to distribute their products (i) exclusively in Hong Kong; (ii) exclusively in Hong Kong and Macau; or (iii) exclusively worldwide. We are able to maintain the stable supply of our products. Further, our suppliers and brand proprietors rely on our marketing services and sales channels for the distribution of their products in regions which we have been granted distribution rights. This effectively strengthens our bargaining power when negotiating inventory costs, especially considering our large quantity of purchases from our suppliers where our suppliers also benefit from the economies of scale.

The manufacture of most of the health and personal care products distributed by us did not involve any patents as the formula of our health and personal care products are primarily folk prescription which are known to the public. Apart from the quality of these health and personal care products, the success of these product depends very much on the marketing and brand building of these products, which are the key elements for product and brand differentiation that our Group takes pride of. To the best knowledge of our Directors, alternative health and personal care product suppliers in Australia or elsewhere are readily available for most of the products we distributed during the Track Record Period. In view of the mutual and complementary relationship, our suppliers also cater for our suggestions and requests. This enables our Group to select products based on the preferences and needs of our target customers and respond swiftly to changes in consumer demands.

We offer a multitude of services including brand building, management and development, sales and marketing of products, analysis of consumer preferences, development of sales networks, delivery of products and development of overseas sales capabilities to our brand proprietors. We believe that our integrated business model would give us a sustainable competitive edge by (i) integrating substantially all after-production services of our products; and (ii) providing brand management and development services to the brand proprietors in a cost effective manner, so to attract suppliers to maintain stable relationship with us.

For details of the major supplier agreements, please refer to the paragraph headed “Principal terms of our major supply agreements” in this section.

Experienced and dedicated management team and sales team with proven track record

We have an experienced, dedicated and capable management team, led by our executive Directors, comprising Mr. Choy and Mrs. Choy who both are our founders and have been instrumental in spearheading the growth of our Group since its inception.

Mr. Choy and Mrs. Choy have over 14 years of experience in sales and marketing of health supplement products and personal care products in Hong Kong. Mr. Choy has been appointed as the Treasurer and Council Member of Hong Kong Health Food Association since 2011. Mr. Ho Chun Kit, Saxony, our business development director, and Mr. Au Chun Kit, our operation director, have more than 20 years and 15 years of experience in the financial and information technology industries, respectively.

In addition, we have a loyal, experienced and capable senior management team with a proven track record as well as a team of committed and well-trained frontline staff. Please refer to the section headed “Directors and Senior Management” in this prospectus for further information on our Directors and senior management.

OUR STRATEGIES

Our principal business objectives are to develop our business and achieve sustainable growth. Our Directors will use their best endeavours to anticipate changes, yet allowing flexibility. We intend to achieve our business objectives by pursuing the following strategies:

Further develop and strengthen our brand

We believe successful branding is the key to our business development. We have developed “Organic Nature”, “Top Life” and “Superbee” into well-recognised brands in Hong Kong and Macau through our effective and targeted advertising, marketing strategies and continuous emphasis on product safety and quality. To further enhance the popularity of our products, brand awareness and image, we will continue our marketing and promotion activities as well as to explore other marketing channels, such as online marketing (taking the advantage of the extensive coverage of internet), sponsorship to health related or sports (leveraging on the media reporting the events) and improving our healthy brand image recognition, advertising on public transport leveraging on the vast population trading on it everyday.

Our sales and marketing team is our frontline staff who will have first-hand contact with our customers and their communication with our customers are crucial for our customers to form a good impression, develop loyalty and confidence in our brand and products. We view our frontline staff as health information stewards and in order to strengthen our sales and marketing team’s skills and professionalism, our Group will organise regular in-house trainings to improve our staff’s knowledge on health, health products and nutrition related information by professionals. To complement on the expansion of our “澳至尊” sales and distribution network, our sales and marketing team (as well as other departments) will be expanded accordingly.

We pride ourselves on the customer services provided by our well-trained sales promoters at our specialty stores and consignment sales counters and believe that through effective communication between our sales promoters and customers, we are able to promote our products, enhance our brand image, and also acquire a better understanding of the needs and preferences of our customers. To enhance our sales support and customer services, our Group intends to organise talks, seminars and gatherings for our health-conscious customers to attend and participate in. Not only our customers will understand more on our products and obtain health and natural food related information through these interactive activities, these activities may also provide our sales and marketing team an opportunity to learn more about our customers’ health concerns which will be under our consideration when we select our product spectrum.

We will also conduct site visits whereby our sales and marketing team will physically visit our existing and potential suppliers and brand proprietors to improve our sales and marketing team’s knowledge and understanding on our products.

In this regard, we will apply a total of approximately HK\$51.0 million of our proceeds from the Global Offering during the period from the Latest Practicable Date up to and including 31 March 2019.

Maintain, expand and improve our sales network

Our Group strives to expand and improve our multi-channel “澳至尊” sales and distribution network continuously to capture a wider customer base and improve our sales revenue. We plan to expand our network of self-operated specialty stores by opening more in Hong Kong, depending on the market conditions. In selecting an appropriate location for opening a specialty store, we will carefully evaluate the pedestrian traffic of the target location, positioning of the location and customer spending pattern, which will not be limited to only MTR stations. Our Group plans to open a total of five to ten specialty

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stores on or before 31 March 2018. Depending on our sales performance and the market conditions, we intend to open one to three speciality stores on or before 31 March 2017, and four to seven more speciality stores on or before 31 March 2018. We consider opening the specialty stores first in the New Territories area, then in other Kowloon West areas.

We also intend to open concept stores in Hong Kong, which will be more functional than our specialty stores. Our concept stores will offer our customer a more spacious environment for product trial and will include a health corner where our customers can obtain health and natural food related information. We may employ nutritionists and other professionals who will provide health and nutrition advice to our customers at our concept stores.

In terms of consignment sales network, we will continue to extend our consignment sales coverage as well as improving our sales counters and shelf space at the consignees' retail stores. We intend to enhance our sales counters by refurbishing the layout and displays of the sales counters and shelf space to complement on our marketing and promotion activities. We intend to set up one to three sales counters by 30 September 2017 and three to five more by 31 March 2018.

In terms of our other existing sales and distribution network, our Group will continue to explore business opportunities which favour us in capturing an extensive customer base as well as to expand our sales and distribution network to a more extensive geographic coverage in Southeast Asia.

In this regard, we will apply a total of approximately HK\$36.3 million of our proceeds from the Global Offering during the period from the Latest Practicable Date up to and including 31 March 2019.

Explore business collaboration and expand our customer base

Our Group started operating an online store in 2012 and has started to sell our products to well-established online shopping platforms in China which further sell our products to its customers since March 2015. Our Directors are of the view that online shopping is gaining popularity expeditiously due to the high traffic on the online shopping platforms and will become an important shopping channel for our consumers in the future. These online sales channels are particularly effective for promoting our brand and products to relatively new but expanding market such as China. Seeing the potential and considering the cost-effectiveness of these online sales channels, our Group will continue to develop our e-commerce sales network and explore opportunities to co-operate with more online shopping platforms in Hong Kong, China and other regions. Our Group also intends to develop our existing and new online store to improve on the ease of accessibility of our customers to our online store.

Apart from expanding our online sales channel, our Group continuously explores business opportunities in other Asia-Pacific markets. With these new Asia-Pacific opportunities, our Group will start establishing business relationship with them by means of wholesaling, consignment sales or distributorship. Before the business relationship commences, our Group will conduct market research and feasibility study to assess the potential of these new markets.

In this regard, we will apply a total of approximately HK\$24.7 million of our proceeds from the Global Offering during the period from the Latest Practicable Date up to and including 31 March 2019.

Diversify and expand our product portfolio

We will continue to enrich our product portfolio to meet the evolving consumer preference. Our Group continuously communicates and discusses with our existing brand proprietors on the potential and practicality of developing new products. We made these new products suggestions based on feedbacks from consumers and market research. When we develop new products, we will consider whether the new products bear the features which associate with our brand image.

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Our Group also explores business collaboration opportunities with other brand proprietors and diversifies our pool of suppliers and types of products offered such as health food and beverage products for diversifying our product portfolio and reach a wider customer base. To facilitate the expansion of product portfolio, our Group will also strengthen product quality assurance.

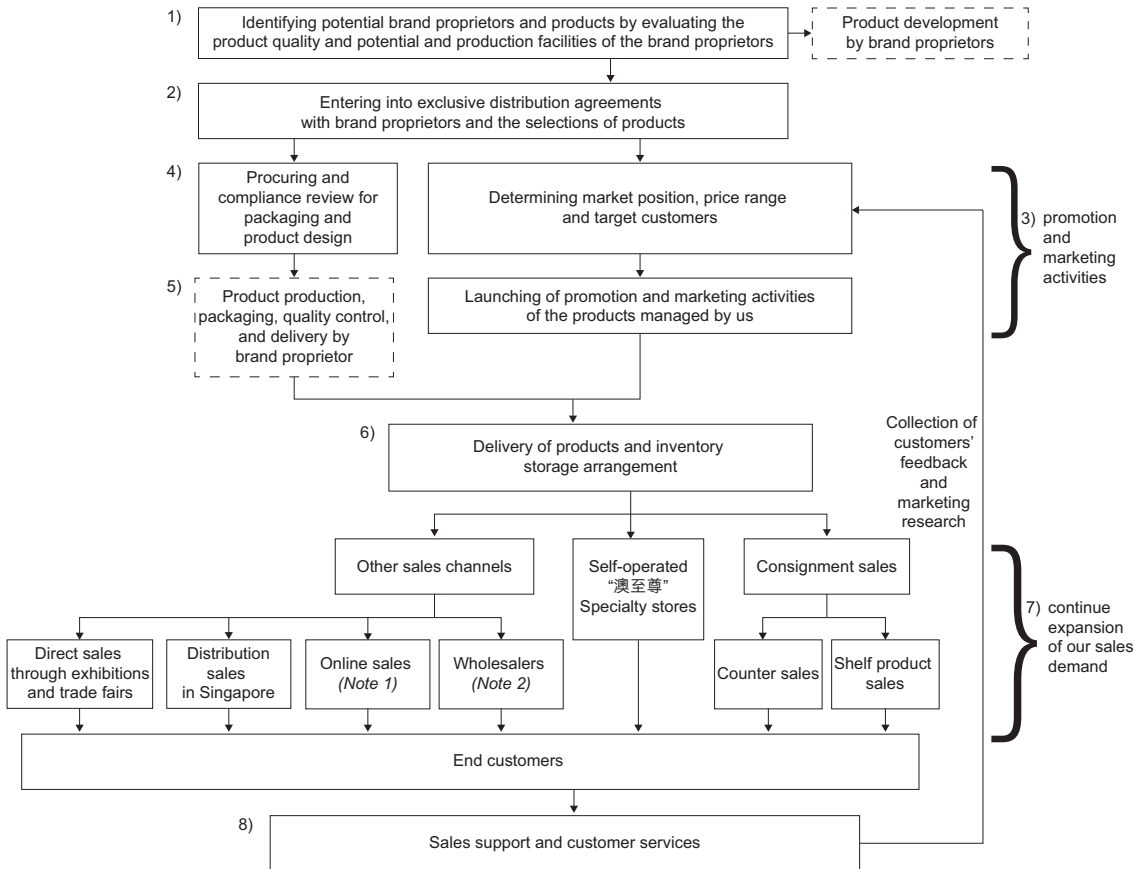
In this regard, we will apply a total of approximately HK\$18.9 million of our proceeds from the Global Offering during the period from the Latest Practicable Date up to and including 31 March 2019.

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

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OUR BUSINESS MODEL

The following diagram shows the major operation processes of our business and the lead time.



Note:

— Solid lines represent processes and functions conducted by our Group.

- - - Dotted lines represent processes and functions conducted by third parties.

Note 1: this includes sales through our online shop website and online shopping platforms in China.

Note 2: wholesale to individual and chain retailers including a major cosmetic product retail chain in Hong Kong, beauty salons, individual pharmacies and health food retailers.

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We select and source health supplement products, honey and pollen products and personal care products as finished products mostly from our suppliers in Australia. After quality control checking and compliance review on the products, we market and sell them through our established multi-channel “澳至尊” sales and distribution network, including retail sales at our self-operated specialty stores in Hong Kong and Macau, consignment sales (including counter sales and shelf product sales) at the consignee stores in Hong Kong and Macau, wholesale sales to individual and chain retailers, online shopping platforms in China, online sales through our own website and distribution sales in Singapore via an exclusive distributor. We also sell our products in exhibitions and trade fairs.

Our Group focuses on essentially all after-production services of our products including the brand management and development, sales and marketing, analysis of consumer preferences, development of sales networks and the delivery of products.

1) Identifying potential brand proprietors and products by evaluating the product quality and potential and production facilities of the brand proprietors

We understand that both the quality of our products and the stable business relationship with our high quality Australian brand proprietors (who are mainly manufacturers) are essential to our long-term success in forming the core value and focus of our “澳至尊” brand image. Hence, we have adopted a stringent approach in the selection and sourcing of potential brand proprietors, brands and products as follows:

- (i) conducting a preliminary assessment on the brand proprietors' credentials to ascertain their background, production facilities and goodwill and estimate the projected sales of a particular product manufactured and/or supplied by them. The selection criterion for potential brand proprietors are based on factors such as: (a) the extent of brand recognition and awareness of the brand proprietor; (b) quality and market potential of the products; and (c) whether the potential brand proprietors' products fit into our brand image as presented to our sales network target retailers and customers;
- (ii) obtaining ingredient information and product specifications on the products which the brand proprietors intend our Group to distribute to ensure the products are of industry standards and the ingredients meet the requirements under the relevant laws and regulations; and
- (iii) conducting market survey and researches in Hong Kong, in order to gather more updated information on, inter alia, consumer preferences on the kind of products, and the quality and safety of the products manufactured and distributed by the potential brand proprietors.

2) Entering into exclusive distribution agreements with brand proprietors

After preliminarily assessing the potential brand proprietors' credentials, reviewing the ingredient information and product specifications as well as conducting the market survey and researches, our Directors would select the brand proprietor, the relevant brand and the product(s) to be managed and developed by us after balancing and considering all the factors. We would then enter into exclusive distribution agreements with the brand proprietors. During the Track Record Period, we entered into exclusive distribution agreements with a total of three brand proprietors, which are also our suppliers. For details of the exclusive distribution agreements, please refer to the paragraph headed “Principal terms of our major supply agreements” in this section.

3) Promotion and marketing activities

Our sales and marketing department is responsible for conducting market research, media planning, formulating marketing strategies and promoting our brands and products, while our compliance team is responsible for the review of our product description and promotional materials.

Market Research

To maintain market recognition of a brand and to avoid losing resonance in the brand's target market, our marketing team works closely with our sales teams to gather feedback from customer and conduct market research and analysis on the sale of products, interview retailers to understand consumers' responses to a particular product, communicate with the brand proprietor on a regular basis in order to develop ideas and suggestions for product and refine their on-going marketing strategy and campaigns. It also observes the latest market trend, previous sales performance, market demand as well as the advertisements of new products produced by our competitors on a regular basis for ideas for selecting new products from our suppliers. It determines the market position of the brand, the price range of its products and target consumers in the distribution territories.

Compliance Review of Marketing Materials

Our sales and marketing department works together with our compliance team to review all of our marketing materials to ensure compliance with the relevant requirements under the laws in Hong Kong and other relevant jurisdictions. Our compliance team consists of two nutritionists and two staff from the sales and marketing department. In order to comply with regulations, we devote considerable resources to the compliance team to review the relevant regulations and guidelines, and communicate with the relevant government authorities before we finalise our packaging and promotional materials. The marketing materials must be approved by the compliance team and sales and marketing department before they are published.

Advertising and Promotion Activities

In order to successfully develop and enhance the popularity of the products managed by us and the brand awareness and image of our proprietary “澳至尊” brand, our Group has continuously engaged in various advertising and promotion activities. Our sales and marketing department formulates marketing strategies and promotes our brand and products through a number of channels:

(i) Media advertising

We have advertised our brands and products on selected media channels:

- Television and films: We have placed television commercials and sponsored television programmes on a major television channel and films on show in Hong Kong. Television marketing is effective for our brand to reach a large number of consumers in Hong Kong and Macau.
- Newspapers and magazines: We place advertisements on various newspapers and magazines to provide information about our latest products and offers.
- Billboard display: We use advertisement on billboards, signage and video shows on public transportation to reach our customer groups.

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- Online marketing: We market and promote our brands and products through our corporate website and online advertisements, and sending promotional emails to our existing customers. We have also developed our corporate page on popular social networks such as Facebook.

(ii) *Exhibitions and trade fairs*

We participate in exhibitions and trade fairs, such as the Hong Kong Brands and Products Expo, Food Expo, Cosmoprof Asia Trade Fair in Hong Kong and trade fairs in China organised by the Trade Development Council or the Chinese Manufacturers' Association of Hong Kong to promote our products to customers and enhance our brand awareness. Exhibitions and trade fairs are also one of our “澳至尊” sales and sales channels. Please also refer to the paragraph “Exhibitions and trade fairs” in this section for further details.

(iii) *Spokespersons*

We have engaged Ada Choi Siu Fun (蔡少芬) and Zhang Jin (張晉) as our brand spokespersons in Hong Kong and Macau, as we consider that they correspond with our brand and corporate image which “澳至尊” associates with. We believe that the engagement of our spokespersons contribute to promote our products and raise the awareness and profile of our proprietary “澳至尊” brand. The engagement commenced in 2014 and was renewed in 2016. The current engagement shall last for 2 years and our Company has the option to renew the engagement. Our Directors are of the view that engaging brand spokespersons which correspond well with our Group's healthy image would favourably increase our brand awareness as well as sales volume.

Major terms of the spokesman agreement (the “**Spokesman Agreement**”) engaging Ada Choi Siu Fun (蔡少芬) and Zhang Jin (張晉) are set out below:

Job content:

- | | |
|---|---|
| (i) First phase (“First Phase”) (March 2016–February 2017) | Use of television and printed advertisement (produced during the first engagement in 2014) |
| (ii) Second phase (“Second Phase”) (March 2017–February 2018) | Upon expiry of the first phase, if our Group wishes to engage Ada Choi Siu Fun (蔡少芬) and Zhang Jin (張晉) as spokespersons, the spokespersons will fulfill the following job duties: <ul style="list-style-type: none">a) Television advertisement: shooting of television advertisement for onceb) Printed advertisement: shooting of printed advertisement for oncec) Promotional events: attending three promotional events of the Company |

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Fee:	First Phase: HK\$1,500,000 Second Phase: HK\$2,000,000
Working hours:	A total of two working days for the shooting of television advertisement and printed advertisement The working hours for each working day do not exceed 12 hours
Extra fee:	HK\$500,000 for each extra working day in addition to the aforesaid two contracted working days
Overtime fee:	HK\$45,000 per hour for overtime work which exceeds the contracted working hours for each working day HK\$2,000 per hour for overtime work of make-up and hair styling staff
Life span of advertisement:	<u>First Phase</u> One year, from 1 March 2016 to 28 February 2017 <u>Second Phase</u> One year, from 1 March 2017 to 28 February 2018 (Our Company has the right of renewal upon expiry of contract)
Authorised regions for use of advertisements:	Hong Kong and Macau only (excluding the PRC and Taiwan)
Authorised coverage:	Use of television advertisement, printed advertisement, names and signatures of spokespersons via media including cable or wireless television channels, networks, cinemas, broadcasting, public transport or vehicles body, internet, specialty stores and different kinds of outdoors billboard and printed media
Insurance coverage:	Our Company provides a personal injury and medical insurance policy with a total limit of HK\$3,000,000 for each of Ada Choi Siu Fun (蔡少芬) and Zhang Jin (張晉) for their safety during the course of shooting advertisement and attending promotional events

(iv) Store display and in-store marketing

Brochures and leaflets with our product information and photographs are displayed in all of our specialty stores. This in-store marketing approach is cost-effective as we can make use of our specialty stores that are strategically placed at locations with high pedestrian flow without incurring substantial extra cost in marketing and promotion.

(v) *Membership system*

Our members enjoy various promotional and discount offers. We believe that our membership program has been successful in promoting customer loyalty and increasing our brand awareness. Our membership cards cannot be used to make purchase or payment at our retail shops.

(vi) *Joint promotion with business partners*

We carry out joint promotional campaigns with other brands or institutions such as insurance companies and other large enterprises, to tap into their large existing customer base.

Our advertising and promotion expenses were HK\$1.4 million, HK\$13.7 million and HK\$15.1 million for the three years ended 31 March 2016, respectively.

Corporate Social Responsibility

Consistent with our brand value which focuses on the living of a natural and healthy life, we have a strong sense of mission and responsibility to fulfil our corporate social responsibility. Although charity is our primary goal in initiating such programmes, they also provide exposure of our brand and enhance the public esteem of our brand as a socially responsible enterprise.

4) Procuring and specifying packaging and product design

While promotion and marketing activities are carried out continuously on our brand image of “澳至尊”, our Group procures products from our brand proprietors within the selected products list stated in the exclusive distribution agreements. Our executive Directors and sales and marketing department generally select and procure products based on sales performance and information from our suppliers about their new products. Our sales and marketing department prepares sales forecasts based on our actual and projected sales figures and our procurement team prepares purchase orders. It normally takes around four months from the placing of orders to our suppliers to the delivery of the products to our warehouses.

For new products from our existing suppliers, our quality control team will obtain the ingredient information and product specifications from the suppliers to ensure the products are of industry standards and the ingredients meet the requirements under the relevant laws and regulations, before we place purchase orders for the products.

The packaging and design of the products will be reviewed internally by our compliance team. Our Group will also make modifications and specifications to the design of the packaging and communicate with the brand proprietor to ensure they comply with the rules and regulations of the regions in which the products are sold.

5) Product production, packaging, quality control and delivery by brand proprietor

Once the design and packaging of the products have been agreed on, our suppliers will produce and package the products. Quality control team will take product samples from our suppliers for ingredients examination through an external laboratory in Hong Kong to ensure the quality and safety of our products comply with all the relevant rules and regulations in Hong Kong and other relevant jurisdictions. Routine checking on all the products purchased and delivered to us will also be performed. Our suppliers also conduct quality control to ensure the products meet the relevant standards such as GMP or HACCP prior to delivery.

6) Product delivery to our sales channels, inventory storage and delivery arrangement

Our Group rented a warehouse in Hong Kong for inventory storage during the Track Record Period. Our products are first delivered to our warehouse from our suppliers and our Group arranges the delivery of the products to our wholesalers, sales counters of our consignee retail stores and our specialty stores in Hong Kong and Macau. We adopt the policy to maintain an optimum inventory level of each kind of product depending on the relevant sales estimate to ensure that there is sufficient inventory for our sales without over-stocking. We have a fully integrated electronic ERP system, which enables the inventory of any particular item to be updated on real time basis to maintain what we consider to be an optimum level of inventory. Useful information such as the sales performance of any individual product at any of our specialty stores can be extracted from the system.

Warehouse assistants and sales promoters perform physical inspection at our warehouse, specialty stores and consignee retail stores on a weekly basis, respectively, during which obsolete inventories including damaged and close-to-expire inventories are identified. We generally perform physical stock take at our warehouse, specialty stores and consignee retail stores on a quarterly basis.

Inventory Control at Warehouse

The general lead time from the placing of orders to our suppliers to the delivery of products to our warehouse is around four months. We place orders with our suppliers regularly to replenish the inventory stock to a pre-determined level which in turn allows us to avoid additional warehouse costs. We normally maintain an inventory level at the warehouse that is sufficient for our sales for about two to three months on average.

Inventories which will be expired within 18 months are identified by the warehouse assistants and stored in a designated area for all close-to-expire inventories. A list of all the close-to-expire inventories will be prepared by the warehouse assistants and sent to the marketing team which will determine the appropriate strategy such as launching promotions and discounts to promote sales.

Inventory Control at Specialty Stores and Consignee Stores

We continuously monitor the shelf life of the products in our warehouses, specialty stores and consignee retail stores. Our sales promoters at our specialty stores and consignee retail stores perform weekly inspection for the identification of damaged products or products which will be expired within one year. These products identified will be returned to the warehouse where our warehouse assistants store the close-to-expire inventories in a designated area and a list of all close-to-expire inventories will be prepared. We generally launch promotions and provide discounts to promote sales of slow-moving or close-to-expire inventories. We have sales promoters at the sales counters in all of our consignee stores and specialty stores. As a result, the shelf life and inventory level is closely monitored by our sales promoters and replenishment of products is made efficiently, generally within seven days for product to be delivered from our warehouses to specialty and consignee stores in Hong Kong.

For our shelf products which are selected in particular to be sold on the shelf of certain consignee retail stores, our consignees will replenish the products monthly. We have control on the inventory level of the products as monthly sales report are provided by our consignees.

Inventory Control at Other sales channels

Our Group maintains straight return policy, which does not allow our wholesalers, our online shopping platforms in China and exclusive distributor in Singapore to return unsold and expired products to us for refund. Our Directors are of the view that our wholesalers, online shopping

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platforms in China and exclusive distributor in Singapore make careful assessment of their ability to distribute our products within the distribution period before they purchase from us. Our Directors believe that adherence to our return policy can avoid excess inventory kept by our sales channel and minimise the risks that products close to expiry are sold to the end customers by our wholesalers.

7) Expanding sales channels of the products

To maintain our competitive edge and improve our sales coverage, our Group continues to develop and expand our multi-channel “澳至尊” sales and distribution networks which as at the Latest Practicable Date, comprises our self-operated specialty stores, sales counters and shelf space at consignee retail stores, online sales at our own website, our online shopping platforms in China and a distributor in Singapore. A majority of our sales was made through consignment stores during the Track Record Period. For further details, please refer to the paragraph headed “Sales and Distribution” in this section.

8) Sales support and customer services

We believe that through effective communication between our sales promoters and customers, we are able to promote our products, enhance our brand image, and also acquire a better understanding of the needs and preferences of our customers.

We recognise that the service etiquette and product knowledge of our frontline sales promoters are critical in presenting the image of our products. In order for our sales promoters to provide professional service and comprehensive information to our customers, we provide them with an array of training programs and courses, covering aspects such as product information, store operation and procedures, sales and marketing techniques and customer interaction and service skills.

We also consider customer feedback a valuable tool for improving our service. We take customer suggestions seriously and have established a set of procedures for handling customer suggestions. Our sales and marketing department is responsible for handling customer suggestions and answer any question in relation to our products to ensure timely responses to customers' enquiry.

Return Policy

Our specialty stores are Quality Tourism Service Scheme-accredited stores and maintain a quality assurance policy. We assure the quality of our products and our customers can refund or exchange the products within fourteen days after purchase if the products sold are found defective. For products which are sold via consignee stores, consignee stores' policy for refund and product exchange matter will be followed. During the Track Record Period and up to the Latest Practicable Date, we have not received any material complaint from customer or the Consumer Council. In order to provide all-rounded services to our customers, we have a customer hotline to respond to customers' enquiries regarding our products and sales channels.

OUR PRODUCTS

We offer a wide selection of over 61 health supplement products under the “Organic Nature” and “Top Life” brands, 21 honey and pollen products under the “Superbee” brand, and 11 personal care products under the “Organic Nature”, “Top Life” and “Golden Hive” brands as at the Latest Practicable Date.

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The table below shows a breakdown of our revenue by types of product.

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Health supplement	187,781	96.1	213,661	94.6	197,373	93.6
Honey and pollen	4,158	2.1	6,223	2.8	7,203	3.4
Personal care	3,522	1.8	5,904	2.6	6,264	3.0
Total	<u>195,461</u>	<u>100</u>	<u>225,788</u>	<u>100</u>	<u>210,840</u>	<u>100</u>

Health Supplement Products

Our health supplement products generally take the forms of pills, tablets, soft capsules or liquid for oral intake and target health conscious customers. The active ingredients of most of our major health supplement products are primarily extracts from natural resources such as fruits or other parts of plants and animals. They generally have a shelf life of 18 months to three years from the date of production.

Our health supplement products are not classified as medicine, pharmaceutical products or Chinese medicine and do not require registration under the Chinese Medicine Ordinance (Chapter 547 of the Laws of Hong Kong) or the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong).

Our health supplement products are generally sold under the “Organic Nature” and “Top Life” brands. Some of the health supplement products under the “Organic Nature” brand are marketed and packaged together with the Chinese characters “澳至尊” labeling as the flagship products under our own branded sales and distribution network.

Honey and Pollen Products

Our honey and pollen products mainly include different kinds of honey, with different flavours, honey related products such as honey comb as well as pollen product. Our honey and pollen products are sold under the “Superbee” brand, which is a well-recognised honey brand in Australia. The “Superbee” honey and pollen products are produced using honey from Australia and New Zealand and manufactured in Australia. They generally have a shelf life of 18 months to five years from the date of production.

Personal Care Products

Our Group also sells and distributes personal care products under the “Organic Nature”, “Top Life” and “Golden Hive” brands, supplied by our brand proprietors from Australia. Some of these personal care products, such as facial cleanser, propolis tooth paste and emu oil, are produced with natural ingredients which correlate with our Group’s healthy and natural image. They generally have a shelf life of three to five years from the date of production.

The following table sets forth the revenue from the best selling products during the Track Record Period:

Product	Brand	For the year ended 31 March								
		2014			2015			2016		
		HK\$'000	%	Rank	HK\$'000	%	Rank	HK\$'000	%	Rank
Omega-3 Fish Oil.	Organic Nature	27,181	13.9	1	31,242	13.8	1	26,838	12.7	1
Liver Tonic.	Organic Nature	26,075	13.3	2	26,356	11.7	2	22,436	10.6	2
Bilberry	Organic Nature	17,107	8.8	3	18,704	8.3	3	18,767	8.9	3
Royal Jelly.	Organic Nature	8,399	4.3	5	12,423	5.5	4	11,520	5.5	4
Lecithin	Organic Nature	7,864	4.0	N/A	9,980	4.4	N/A	11,339	5.4	5
Squalene.	Organic Nature	11,147	5.7	4	11,068	4.9	5	8,048	3.8	N/A
Subtotal.		97,773	50.0		109,773	48.6		98,948	46.9	
Others.		97,688	50.0		116,015	51.4		111,892	53.1	
Total		<u>195,461</u>			<u>225,788</u>			<u>210,840</u>		










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The table below sets out our major series of products categorised according to functions as at the Latest Practicable Date.









Series	Product	Brand	Packaged in (capsule/ tablet/ml/g)	Suggested retail price range as at the Latest Practicable Date <i>(Note)</i> <i>(HK\$)</i>	Main Ingredients	Sample product pictures
Beauty and nutrition	Royal Jelly	Organic Nature	60–365 (capsules)	295–1,390	Royal Jelly lyophilised powder stand.	
	Royal Jelly (1.1%)	Top Life	365 (capsules)	990	Royal Jelly lyophilised powder stand.	
	Evening Primrose Oil	Organic Nature	100–300 (capsules)	390–990	Evening Primrose Oil	
			Top Life	180 (capsules)	690	Evening Primrose Oil
	Grape Seed	Organic Nature	100 (tablets)	990	Vitis Vinifera Seed Extract	
			Top Life	180 (capsules)	1,800	Vitis Vinifera Seed Extract
	Sheep Placenta	Organic Nature	60–100 (capsules)	590–890	Ovine Placenta Extract	
	Bio-Collagen 4-in-1	Top Life	100 (capsules)	590	Grape Seed Oil, Evening Primrose Oil, Royal Jelly Powder	

Note: The suggested retail price will be subject to changes at the time of promotion.

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Series	Product	Brand	Packaged in (capsule/ tablet/ml/g)	Suggested retail price range as at the Latest Practicable Date (Note) (HK\$)	Main Ingredients	Sample product pictures
Brain and eye development	Omega-3	Organic Nature	100–550 (capsules)	290–990	Fish Oil	
		Top Life	180 (capsules)	490	Fish Oil	
	Bilberry	Organic Nature	60–365 (capsules)	490–2,450	Vaccinium Myrtillus (Bilberry) Fruit Extract	
		Top Life	180 (capsules)	1,800	Vaccinium Myrtillus (Bilberry) Fruit Extract	
	Super Eye Care 5000	Organic Nature	30 (capsules)	330	Vaccinium Myrtillus (Bilberry) Fruit Extract	
	Super Eye Care 10000 (Extra Strength)	Organic Nature	30 (capsules)	590	Vaccinium Myrtillus Fruit Extract, Euphrasia Officinalis Herb Extract, Tagetes Erecta Flower Soft Extract	
	Super Algae DHA	Organic Nature	60 (capsules)	590	Docosahexaenoic acid (DHA)-rich oil derived from microalgae schizochytrium	
	Co-Q10	Organic Nature	60 (capsules)	690	Ubidecarenone, Magnesium Amino Acid Chelate, Polygonum Cuspidatum Root Dry Extract	
	Natural Krill Oil	Organic Nature	60 (capsules)	590	Euphausiid Superba Oil	










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Series	Product	Brand	Packaged in (capsule/ tablet/ml/g)	Suggested retail price range as at the Latest Practicable Date <i>(Note)</i> <i>(HK\$)</i>	Main Ingredients	Sample product pictures
Improving Constitution	Propolis 500	Organic Nature	150-365 (capsules)	390-900	Propolis Dry Extract	
	Propolis 1000	Organic Nature	80 (capsules)	390	Propolis Dry Extract	
		Top life	365 (capsules)	1,800	Propolis Dry Extract	
	Propolis 2000	Organic Nature	180 (capsules)	1,800	Propolis Dry Extract	
	Propolis Liquid (30%/50%)	Organic Nature	25 (ml)	290-390	Propolis Resin	
	Propolis Liquid 40%	Top Life	25 (ml)	290	Propolis Resin Concentrate	
	Squalene	Organic Nature	90-300 (capsules)	750-2,450	Squalene	
	Squalene	Top Life	365 (capsules)	2,450	Squalene	
	Garlic Oil	Organic Nature	200 (capsules)	290	Garlic Oil	










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Series	Product	Brand	Packaged in (capsule/ tablet/ml/g)	Suggested retail price range as at the Latest Practicable Date (Note) (HK\$)	Main Ingredients	Sample product pictures
Skeletal and men health	Shark Cartilage	Organic Nature	60 (tablets)	490	Shark Cartilage	
	Calcium Formula	Organic Nature	90 (tablets)	390	Calcium Citrate, Magnesium Oxide Heavy, Colecalciferol, Zinc Gluconate, Manganese Amino Acid Chelate, Copper Gluconate, Equisetum Arvense Herb Extract	
	Essence of Energy (Kangaroo meat)	Organic Nature	60 (capsules)	495	Kangaroo powder	
	Prostate Care	Organic Nature	60 (capsules)	590	Crateva Nurvala Stem Bark Extract, Equisetum Arvense Herb Extract, Lycopene, Selenomethionine, Serenoa Repens Fruit Extract, Zinc Amino Acid Chelate	
Health and nutrition	Liver Tonic	Organic Nature	100–365 (tablets)	490–1,800	Silybum Marianum Fruit Extract	
	Liver Guard	Top Life	100 (capsules)	890	Silybum Marianum (Silymarin) fruit Extract	
	Super Natural Probiotics	Organic Nature	30 (capsules)	590	Lactobacillus acidophilus, Bifidobacterium lactis	
	Green Barley	Organic Nature	150 (tablets)	590	Barley Leaf Powder	
	Ginkgo Biloba	Organic Nature	100 (tablets)	390	Ginkgo Biloba Leaf Extract	

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Series	Product	Brand	Packaged in (capsule/ tablet/ml/g)	Suggested retail price range as at the Latest Practicable Date <i>(Note)</i> <i>(HK\$)</i>	Main Ingredients	Sample product pictures
Slimming and body health	Lecithin	Organic Nature	100–500 (capsules)	290–1,390	Lecithin	
		Top Life	180 (capsules)	690	Lecithin	
	Weight Management	Organic Nature	84 (tablets)	690	Hydroxycitrate Complex, Chromium Nicotinate, Potassium Iodide, Panax Ginseng Root Extract	
	Spirulina	Organic Nature	120 (tablets)	390	Arthrospira Maxima(Spirulina) Whole Plant Powder	
Smart children's supplements	Chitosan	Organic Nature	100 (tablets)	690	Chitosan	
	IQ Essential Children's Chewable Omega-3	Organic Nature	90 (capsules)	390	Fish Oil	
	Kids Fish Oil	Top Life	120 (capsules)	490	Fish Oil	
	Goats Milk	Organic Nature	225 (tablets)	290	Goats Milk Powder	
	Colostrum Chewable Tablets	Organic Nature	120 (tablets)	490	Colostrum Powder	




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Series	Product	Brand	Packaged in (capsule/ tablet/ml/g)	Suggested retail price range as at the Latest Practicable Date <i>(Note)</i> <i>(HK\$)</i>	Main Ingredients	Sample product pictures
	Colostrum Tablets	Top Life	180 (tablets)	490	Colostrum Powder	
	Colostrum Powder	Top Life	400(g)	495	Bovine Colostrum 20% Immunoglobulins G Powder	
	Kid's Vital Calcium	Top Life	120 (capsules)	590	Calcium Carbonate	
Honey and Pollen Products	UMF 15+ Manuka Honey	Superbee	250–1,000 (g)	690–1,990	Manuka Honey	
	Cylinders (42g x 2)	Superbee	2 x 42(g)	95	Honey	
	Cylinder 42g + Koala	Superbee	42 (g)	95	Honey	
	Honey & Ginger	Superbee	500 (g)	250	Honey with Ginger	
	Pure Australian Honey (Squeeze)	Superbee	375–500 (g)	180–230	Honey	
	Honey Squeeze (100g x 6)	Superbee	6 x 100 (g)	330	Honey	




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Series	Product	Brand	Packaged in (capsule/ tablet/ml/g)	Suggested retail price range as at the Latest Practicable Date <i>(Note)</i> <i>(HK\$)</i>	Main Ingredients	Sample product pictures
	Australian Certified Organic Honey	Superbee	500 (g)	390	Honey	
	Pure Australian Honey (Bottle)	Superbee	500 (g)	190	Honey	
	Shrinkwrap Honey (250g x 3)	Superbee	3 x 250 (g)	260	Honey	
	Wood Crate Honey + Dip (500g x 3)	Superbee	3 x 500 (g)	470	Honey	
	Comb in Honey	Superbee	500 (g)	250	Honey and Honeycomb	
	Honey Comb	Superbee	300 (g)	290	Honey Comb	
	Bee Pollen	Superbee	250 (g)	350	Bee Pollen	
	Propolis Candy	Superbee	45-300 (g)	75-270	Raw Sugar, Glucose, Honey, Propolis	




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Series	Product	Brand	Packaged in (capsule/ tablet/ml/g)	Suggested retail price range as at the Latest Practicable Date <i>(Note)</i> <i>(HK\$)</i>	Main Ingredients	Sample product pictures
Personal Care and beauty products	Eye Contour Repair Cream	Organic Nature	30 (ml)	390	Purified Water, Lanolin BP, Stearic Acid, Isopropyl Myristate, Propylene Glycol, Collagen, Aloe Vera, Triethanolamine, Chamomile Extract, Glyceryl Stearate, Placenta Extract, Carbomer, Vitamin E, Mineral Oil, Cetearyl Alcohol, Polawax, Dimethicone, Imidazolidinyl Urea, Methyl Paraben, Polysorbate, Propyl Paraben, Fragrance	
	Healthy Glow Serum	Organic Nature	50 (ml)	390	Purified Water, Tetrasodium Ethylenediaminetetraacetic Acid, Propylene Glycol, Carbomer 940, Polysorbate 20, Ginkgo Extract, Ribonucleic Acid/ Deoxyribonucleic Acid, Placenta Extract, Chamomile Extract, Kathon CG, Ginseng Extract, Triethanolamine 85%, Ceramide Complex, 1% Yellow No. 6, 1% Yellow No. 5, Gold Flake, Collagen and Fragrance	
	Moisturising Cream	Organic Nature	250 (g)	290	Purified Water, Tetrasodium Ethylenediaminetetraacetic Acid, Propylene Glycol, Carbomer 934, Collagen, Fragrance, Wheatgerm Oil, Mineral Oil, Glyceryl Monostearate, Stearic Acid, Cetearyl Alcohol 30/70, Propylparaben, Methylparaben, Lanolin Oil, Triethanolamine 85%, Imidazolidinyl Urea, Jojoba Extract, Vitamin E Acetate, Aloe Vera Extract, Royal Jelly, Lipo peg 100 Stearate, Silicone 200/100	



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Series	Product	Brand	Packaged in (capsule/ tablet/ml/g)	Suggested retail price range as at the Latest Practicable Date <i>(Note)</i> <i>(HK\$)</i>	Main Ingredients	Sample product pictures
	Propolis Toothpaste	Organic Nature	100 (g)	99	Calcium Carbonate, Sorbitol, Sodium Lauryl Sulphate, Peppermint Oil, Eucalyptus Oil, Carrageenan, Propolis Extract, Silicone Dioxide, Propylene Glycol, Sodium Monofluorophosphate, Sodium Carboxymethyl Cellulose, PEG40 Hydrogenated Castor Oil, Purified Water, Methylparaben, Xylitol, Triclosan, Sodium Saccharin	
	Eucalyptus Propolis Toothpaste	Top Life	120 (g)	99	Mint Flavours, Propolis Extract, Eucalyptus Extract, Fluoride 10.76% Sodium Monofluorophosphate), Calcium Carbonate, Water, Glycerin, Sodium Lauryl Sulphate, Silica, Cellulose Gum, Propylene Glycol, Sodium Saccharin, Methylparaben, Mineral Oil, PEG-60 Hydrogenated Caster Oil, BHA	
	Lanolin Propolis Lip Balm	Top Life	3.5 (g)	99	Propolis Extract, Aloe Vera, Apricot Oil in an emollient base	

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Series	Product	Brand	Packaged in (capsule/ tablet/ml/g)	Suggested retail price range as at the Latest Practicable Date (Note) (HK\$)	Main Ingredients	Sample product pictures
	Propolis Day & Night Cream	Golden Hive	60 (g)	490	Purified Water, Isopropyl Myristate, Octyl Methoxy Cinnamate, Glycerine, Stearic Acid, Cetearyl Alcohol, Glyceryl Stearate, PEG 100 Stearate, Uniphene p-23 comprised of: <i>Phenoxyethanol 0.6%, Methyl p-Hydroxybenzoate 0.2%, Ethyl p-Hydroxybenzoate 0.05%, Propyl p-Hydroxybenzoate 0.1%, Butyl p-Hydroxybenzoate 0.05%, Dimethicone, Triethanolamine 85%, Propolis Extract, Carboxy Methylcellulose, Carbomer 940, Vitamin E Acetate, Fragrance Homing</i>	
	Propolis Facial Cleanser	Golden Hive	125 (ml)	490	Purified Water, Glycerine, Cetearyl Alcohol, Cetyl Alcohol, Sodium lauryl sulphate, Phenoxyethanol, Carbomer, Royal Jelly, Citric Acid, Propolis Extract, Methyl para Hydroxybenzoate, Ethyl para Hydroxybenzoate, Propyl para Hydroxybenzoate, Butyl para Hydroxybenzoate, Fragrance	
	Propolis Skin Toner	Golden Hive	150 (ml)	490	Purified Water, Glycerine BP, Witch hazel Extract, Cucumber Extract, Cetearyl Alcohol, Glyceryl Stearate, Polysorbate 20, Sodium Hydroxymethylglycinate, Aloevera Extract, Citric Acid, Propolis Extract, Royal Jelly, Fragrance	

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Series	Product	Brand	Packaged in (capsule/ tablet/ml/g)	Suggested retail price range as at the Latest Practicable Date <i>(Note)</i> <i>(HK\$)</i>	Main Ingredients	Sample product pictures
	Propolis Lip Balm 3 x 5g	Golden Hive	3 x 5 (g)	290	Castrol Oil, Coco-Caprylate/ Caprate, Bis-Diglyceryl Polyacyladipate-2, Isopropyl Palmitate, Beeswax, Petrolatum, Candelilla Wax, Ozokerite, Carnauba Wax, Propolis Extract, Cocoa Butter, Orange Seed Oil, Jojoba Seed Oil, Ethylhexyl Methoxycinnamate, Apricot Kernel Oil, Methylparaben, Propylparaben, Mineral Oil, d-alpha Tocopherol, Aloe Vera Extract	
	Emu Oil	Golden Hive	50 (ml)	395	Emu Oil, Menthol Crystals, Methyl Slicylate, Gum Turpentine Oil, Almond Oil, Camphor Powder, Tea Tree Oil, Eucalyptus Oil, Capsicum Oleoresin	

In view of the similarities in respect of the functions and ingredients, there are, to some extents, some products with overlapping product nature, target customers and sales channel. The overlapping products are mostly products with straight forward ingredients, such as omega-3 products made from fish oil, squalene product made from squalene. These products are basic but popular among our health conscious target customers as the benefits of the ingredients are well recognised by them.

Our Directors are of the view that managing brands with some similar products can enable our Group to gain retail shelf space, provide more choices to consumers and increase our market share. Although some of our products are similar, some of our consumers have strong preferences on the product brands and remain loyal to their preferred brands. Moreover, as the market for health and personal care product is sizeable and fragmented in Hong Kong having numerous health and personal care products available in the market distributing similar products under multi-brands offers more choices to our consumers tailoring to their preferences.

Nevertheless, to avoid any possible direct competition between our brand proprietors, we will consider the following factors when selecting potential new products:

- (i) customer loyalty of the brands under our management;
- (ii) the difference in ingredients used in different brands; and
- (iii) marketing our products with different pricing, packaging and strategies (including launching different advertising campaigns in different marketing channels and advertising in different magazines which have target readers of different age group or living style).

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In any event, the distribution agreements between our brand proprietors and us did not prohibit or restrain us from selling similar products. Hence selling similar products under different brands do not and will not contravene any terms in the distribution agreements between the brand proprietor(s) and our Group.

SUPPLIERS

We purchase finished products mostly from our three major suppliers in Australia, the purchase from these major suppliers in Australia accounted for approximately 99.7%, 100% and 100% of our total purchase for the three years ended 31 March 2016 with whom we have long-term and stable relationship of over five years.

We generally select our suppliers based on their product quality, pricing, quality control system, production systems, business reputation and production scale.

The major suppliers for our products are HCL, Homart and Bee Wonderful, which are also our brand proprietors. HCL and Homart are our suppliers for health supplement products and personal care products under the “Organic Nature” brand, “Top Life” brand and “Golden Hive” brand whereas “Bee Wonderful” is the supplier of our honey and pollen products under the “Superbee” brand.

The following table sets forth a breakdown of our revenue by the brands managed by our Group for the Track Record Period:

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Organic Nature	152,984	78.3	181,355	80.3	170,728	81.0
Top Life	35,810	18.3	34,220	15.2	28,261	13.4
Superbee	4,158	2.1	6,223	2.8	7,203	3.4
Others	2,509	1.3	3,990	1.7	4,648	2.2
Total	195,461	100	225,788	100	210,840	100

Note: Others include Golden Hive and another brand in respect of our personal care products

Background of our major suppliers

HCL

HCL is the supplier and brand proprietor of our “Organic Nature” products. It is a registered company incorporated in Queensland, Australia in June 1999. HCL’s retired ex-manager (who previously worked as a consultant in the health supplement products market) together with a group of shareholders founded and set up HCL. All existing HCL shareholders (except one Taiwanese citizen who is a family friend of the rest of the shareholders and the single largest existing shareholder of HCL) are Australian citizens related to the same Taiwanese family. All the shareholders and directors of HCL are Independent Third Parties to our Group and have no relationship with our Directors and Controlling Shareholders.

HCL is a health supplement and personal care products supplier in Australia focusing on product packaging and labelling. In Australia, the Therapeutic Goods Administration (TGA) is in charge of regulating therapeutic goods. It is mandatory for Australian-based manufacturers of therapeutic goods to obtain a licence to manufacture. In order to obtain a licence, it is necessary for a manufacturer to comply with the Good Manufacturing Practice (GMP). The TGA allows Australian health supplement manufacturer to focus on different manufacturing steps of the production process and all manufacturers involved in the manufacture of health supplements are required to have a licence. The GMP provides a multitude of criteria, which TGA may consider in respect of licensing of manufacturers of therapeutic goods. The non-exhaustive list of criteria includes quality management, facilities, process equipment, production controls, packaging and labelling operations, storage and distribution operations and laboratory controls. GMP in general imposes more stringent requirements for full product manufacturing of therapeutic goods, depending on the types of therapeutic goods. A manufacturer may be granted TGA-licence for specific manufacturing step(s) and/or specific therapeutic goods if it satisfies the relevant parts of the GMP criteria.

HCL is licensed by the TGA to carry out packaging, labelling and release for supply of therapeutic goods including registered over-the-counter therapeutic goods and listed therapeutic goods (and the production and manufacture of the therapeutic goods being carried out by upstream GMP certified manufacturers). HCL itself does not possess the capacity to produce and manufacture health care products according to TGA. HCL’s facility, procedures and controls are audited by the TGA of Australia in order that it may continue to maintain its license to package health supplement products. HCL sources finished products from licensed manufacturers who produce the products in GMP-certified factories in Australia according to TGA. For more details of our relationship with HCL, refer to section headed “Business — our relationship with HCL” in this prospectus.

Organic Nature

HCL, principally engaged in product packaging and labelling, established “Organic Nature” brand in January 2000 and started the sales of products under “Organic Nature” brand in Australia in August 2000. The “Organic Nature” brand consists of health supplements products and, to a lesser extent, personal care products. Since we started managing and developing the “Organic Nature” brand from HCL, “Organic Nature” has been the best selling brand managed by our Group, and some products of which are now marketed and packaged with the Chinese characters of “澳至尊”, labeling as the flagship products under our “澳至尊” sales and distribution network.

Homart

Homart, supplier and brand proprietor of our “Top Life” and “Golden Hive” health supplement products and personal care products, was established in Australia in 1992. It has obtained GMP Manufacturing Licence to carry out full product manufacturing and packaging, labelling and release for supply of different forms of listed or registered therapeutic goods respectively.

Top Life

Our “Top Life” brand mainly consists of health supplements products and, to a lesser extent, personal care products which are mainly sourced from Australia.

Golden Hive

Our “Golden Hive” brand consists of personal care products, such as facial cream, lip balm and emu oil. During the Track Record Period, although the revenue contributed by “Golden Hive” has not been very significant, the contribution of it has continuously been growing steadily.

Bee Wonderful

Bee Wonderful, supplier and brand proprietor of our “Superbee” honey and pollen products, operates a honey factory in central New South Wales which is HACCP certified by SGS, as well as Halal and Kosher certified. It is one of Australia’s largest packagers and distributors of Australian honey and bee products.

Superbee

Our “Superbee” brand consists of honey and pollen products, such as Manuka honey with different flavours, honey related products such as honeycomb as well as pollen products.

The following table sets forth certain information about our major suppliers of our products during the Track Record Period:

Name of Suppliers	Types of product purchased	Business started from	Credit terms	Settlement information	Principal business	Location	For the year ended 31 March					
							2014		2015		2016	
							Total amount of purchase (HK\$'000)	% of total purchase	Total amount of purchase (HK\$'000)	% of total purchase	Total amount of purchase (HK\$'000)	% of total purchase
HCL	Health supplements, personal care products	2002	30% of order amount is payable within 7 days upon confirmation of order. Balance of order amount is due and payable within 90 days from the date of invoice for shipment	Telegraphic transfer	Product packaging	Australia	24,798	72.2	28,080	81.3	22,091	75.7
Homart (Note)	Health supplements and personal care products	2010	Order amount is payable within 30 days from the date of invoice	Telegraphic transfer	Manufacturing and marketing health supplements	Australia	7,395	21.5	4,255	12.3	4,075	14.0
Bee Wonderful	Honey and pollen products	2007	nil	Telegraphic transfer	Manufacturing and distributing packed honey	Australia	2,053	6.0	2,209	6.4	3,023	10.3
Supplier A	Personal care products	2005	Order amount is payable within 30 days from the date of invoice	By cheque	Trading	Hong Kong	105	0.3	—	—	—	—

Note: For the purpose of this table, Homart refers to Homart Pharmaceuticals Pty. Ltd. and Homart Trading (Shanghai) Co., Ltd.* (活曼特貿易(上海)有限公司), who are ultimately controlled by the same shareholder.

Principal terms of our major supply agreements

We enter into long term supply agreements with our major suppliers, the principal terms of the current supply agreement are set out below. We have over 13 years, 5 years and 8 years of relationship with HCL, Homart and Bee Wonderful respectively.

Generally, we do not specify the sources of raw materials and the production method used by the suppliers, as we consider our suppliers are well-established and some with GMP certification.

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Suppliers


The following table sets out the major terms of the subsisting agreements with our suppliers engaged as at the Latest Practicable Date:

Terms of agreement	HCL	Homart	Bee Wonderful
Date of agreement . . .	April 2015	April 2015	April 2015
Brand of products . . .	Organic Nature	Top Life, Golden Hive	Superbee
Duration	Ten years	Ten years	Permanently valid (until termination)
Geographic coverage .	Worldwide (exclusive)	Hong Kong (exclusive)	Hong Kong and Macau (exclusive)
Minimum purchase commitment/target .	We and HCL will agree on sales estimates at the beginning of each financial year, and it is expected that we will use our best endeavours to achieve and exceed the agreed sales estimates.	Incentive purchase target (not less than AUD1,200,000, AUD1,500,000 and AUD2,000,000 worth of products during the first, second and third full year respectively), and subject to further negotiation for fourth year onwards. These purchase targets set by the brand proprietor are for incentive and reference only. Our Group shall use its best endeavour to achieve the targets but inability to do so does not constitute a breach of the agreement.	N/A
Product return policy .	HCL will credit to us with all reasonable costs of product damaged in transit not otherwise covered by insurance. All charges to return products will be paid by HCL. HCL will credit us with all reasonable costs of product damaged in transit, if not otherwise covered by the insurance contract of HCL.	We shall notify Homart within 7 days from the date of receipt of the products if product name and quantity is different from the purchase order and Homart will use its best endeavour to solve the problem after inspection and approval.	N/A

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Terms of agreement	HCL	Homart	Bee Wonderful
Product liability	The quality of Organic Nature products supplied by HCL must be of merchantable standard, free from any defects and at least equivalent to similar products in similar markets.	Homart shall provide the TGA certificate as a guarantee for product quality. The quality of Homart product supplied by Homart must be of merchantable standard and at least equivalent to similar products in similar markets.	The quality of Superbee products supplied by Bee Wonderful must be of merchantable standard and at least equivalent to similar products in similar markets.
Product liability insurance	HCL provides a worldwide public and product liability insurance (excluding US and Canada) of not less than AUD10,000,000. The current insurance policy limit maintained by HCL is AUD10,000,000 for the period from 30/6/2015 to 30/6/2016.	Homart provides a worldwide public and product liability insurance of not less than AUD10,000,000. The current insurance policy limit maintained by Homart is AUD10,000,000 for the period from 1/12/2015 to 30/11/2016.	Bee Wonderful provides a worldwide public and products liability insurance of not less than AUD10,000. The insurance policy limit maintained by Bee Wonderful is AUD20,000,000 for the period from 1/4/2016 to 1/4/2017.
Compliance with laws and regulations	We must comply with all applicable standards, laws and regulations in relation to the purchase, shopping, clearance, distribution and sale of HCL's products. We will use our best endeavours to obtain local department of health approval (if required) for product entry into the sales territory.	We must have related trade certificates in Hong Kong. We are obliged to apply product import registration and distribution licences for Hong Kong as required.	N/A

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Terms of agreement	HCL	Homart	Bee Wonderful
Use of trademarks . . .	<p>We are granted the right to use the brand name “Organic Nature” associated with the “” trademark on marketing materials to assist with the sale and distribution of the products. HCL also allowed us to use the Chinese characters “澳至尊” on the packaging and marketing materials for the products. (Note 1 & 2)</p>	<p>Homart shall provide us with existing product photos, catalogues, brochures etc., in order to promote its products in Hong Kong. (Note 2)</p>	<p>N/A (Note 2)</p>

Note 1:

Since the commencement of business relationship, we have unconditionally agreed with HCL in writing that our Group (as HCL’s exclusive worldwide distributor) should from time to time decide whether or not to register the logo and brand name “Organic Nature” as trademark(s) on our own initiative and commercial judgment in the territories where the exclusive distributor rights have been granted to our Group. HCL has been fully aware of and agreed with our registration of the trademarks associated with the logo and the brand name “Organic Nature” in Hong Kong, Macau, Singapore and the PRC.

Based on the above, HCL has not taken any action to register any trademark associated with the logo or the “Organic Nature” brand name in anywhere other than the “” trademark registered in Australia in December 2002 and in Taiwan in April 2007 (application of which was both submitted prior to the respective exclusive distribution rights being granted to us).

Our Hong Kong Legal Counsel advised that, in case when HCL has not taken any action to register the trademark associated with the logo or the brand name in Hong Kong, our Group should register the same in order to protect our intellectual property rights (since trademarks registered in Australia are not automatically entitled to protection under the applicable laws and regulations).

For details of the various trademarks we have registered or submitted applications associated with the logo or the “Organic Nature” brand name, please refer to the paragraph headed “B. Further Information about our Business — 2. Intellectual property rights” in Appendix IV to this prospectus. To the best of our knowledge, we are not aware of any trademark registration in any other jurisdiction associated with the logo or the brand name save as disclosed in the paragraph headed “B. Further Information about our Business — 2. Intellectual property rights” in Appendix IV to this prospectus.

Our Hong Kong Legal Counsel advised that our Group owns the intellectual property of those trademarks associated with the logo or the brand name, which are registered in the places where our Group operates. As advised, we are not required to transfer any of such trademarks to HCL or its designated party after the expiry or termination of our supply agreement with HCL under the applicable Hong Kong laws and regulations.

Notwithstanding the above, in case when our supply agreement with HCL expires or is otherwise terminated, our Group is willing to transfer the various trademarks we have registered or submitted applications associated with the “Organic Nature” brand to HCL if HCL requests the same. In any event, upon the expiry or termination of the HCL Agreement, our Group will cease to use the “Organic Nature” brand and marks on our products. Nevertheless, our Directors are of the view that the transfer of the relevant trademarks will not cause any material impact to our Group as our success is attributed to the brand image which “澳至尊” associates with, instead of “Organic Nature”. For details please refer to the paragraph headed “Reliance on HCL would not affect our business prospect” below in this

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section and the section headed “Risk Factors — Our business depends significant on the market recognition of our brand name “澳至尊” and the brand name of our products and any damage or invalidation of our trademarks to the same or failure to effectively promote the brands could materially and adversely impact our business and results of operations.” for the relevant risks.

Note 2:

No additional licence fees were incurred for using the brand names and trademarks associated with the products during the Track Record Period. All of the suppliers are not entitled to charge any licence fees under their respective supply agreements.

Terms of Agreement	HCL	Homart	Bee Wonderful
Indemnity	<p>HCL shall indemnify us for any defects in quality of “Organic Nature” products.</p> <p>We shall indemnify HCL for any claim by third party in relation to:</p> <ul style="list-style-type: none"> — any act or omission of us, including any false, misleading or deceptive conduct of us; or — us in breach of any of our obligations under the agreement. 	N/A	N/A
Credit term	<p>30% of order amount is payable within seven days upon confirmation of order.</p> <p>Balance of order amount is due and payable within 90 days from the date of invoice for shipment.</p>	<p>Order amount is payable within 30 days from the date of invoice</p>	N/A
Payment method	<p>By telegraphic transfer to HCL’s bank account in Australia.</p>	N/A	N/A

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Terms of Agreement	HCL	Homart	Bee Wonderful
Termination/renewal	<p>Can be terminated by either party by providing six months' notice to the other party.</p> <p>Automatic renewal for a period of ten years upon expiry unless a six-month prior notice has been served by other party to terminate the agreements.</p>	<p>Can be terminated by either party by providing six months' notice to the other party.</p> <p>Automatic renewal for a period of ten years upon expiry unless a six-month prior notice has been served by other party to terminate the agreements.</p>	<p>Can be terminated by either party by providing six months' notice to the other party.</p> <p>The sole distributor appointment is not subject to any term limit and may be revoked by Bee Wonderful at any time, and without notice, if it is reasonably believed that we:</p> <ul style="list-style-type: none"> — have acted in a manner which may have a negative impact on the reputation or image of Superbee; — have failed to promote Bee Wonderful products adequately, and continues to do so after having been notified of these concerns in writing by Bee Wonderful; — cease to carry on as a business, or substantially reduces our operating size or scope; or — are unable to pay our debts as and when they fall due, or is in any manner considered a financial risk.

Supply during the Track Record Period

For the three years ended 31 March 2016, our purchases from HCL, our largest supplier, accounted for approximately 72.2%, 81.3% and 75.7% of our total purchases, respectively, while our purchases from our three major largest suppliers of our products, accounted for approximately 99.7%, 100% and 100% of our total purchases in the respective years.

To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, owns more than 5% of the issued share capital of our Company or any of our subsidiaries, had any interest in our aforementioned major suppliers during the Track Record Period.

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We have not experienced any material shortage or delay of supply. We believe that alternative suppliers or alternative products from Australia or elsewhere are readily available for substantially all of the products we sell, and the loss of any single supplier would not have a significant adverse effect on our business and operations if our Group is able to engage other suppliers before the termination of relationship.

No fixed pricing term or pre-agreed pricing formula has been adopted for each type of products in the supply agreements with all of the respective suppliers. The conclusion of our product prices are subject to our negotiation with the suppliers and adjustments of manufacturing costs and raw material costs from time to time. We have not been subject to material price increases by our major suppliers during the Track Record Period, 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.

Our relationship with HCL

HCL established “Organic Nature” brand in January 2000 and started the sales of products under “Organic Nature” brand in Australia in August 2000. Later in September 2001 and October 2006, HCL extended its sales of “Organic Nature” products to Taiwan and Singapore respectively. Nevertheless, the sales results of the “Organic Nature” products in these regions were not impressive and HCL has ceased the sales of “Organic Nature” products in Taiwan in January 2010 and in Australia and Singapore in January 2013. Our Directors believe that HCL was in lack of effective sale channels and expertise in sales and marketing of its “Organic Nature” products.

In 2002, Truth & Faith (Hong Kong) communicated with HCL via emails and initiated to source our health supplement products from HCL. We actively negotiated with HCL and were initially granted the sole distributorship of certain products under “Organic Nature” brand in Hong Kong and Macau. The commercial rationale to source our products from HCL at the material time was as follows:

- (i) *Business potential for our Group to market and distribute HCL’s products as its sole distributor*

In light of the rising health concern of Hong Kong citizens at the material time, our Directors believed that we would be able to capture the trend for our Group to market and distribute health and personal care products. Having considered the size and scale of our distribution network at the earlier time, our Directors considered it was more practicable and sustainable to manage high quality health and personal care products like HCL’s products. Our Directors were satisfied with the quality and sales performance of HCL products after the sample trial and sales tests of the same in about 2001 and 2002. Considering the relatively short business history of HCL in Australia and its previous sales results in Australia and Taiwan, our Directors were confident in acquiring higher bargain power over HCL in view of HCL’s reliance of our sales and distribution network to market and sell their products in Hong Kong and negotiating for sole exclusive distribution rights in Hong Kong, which would prevent intra-brand competition with other local distributors as well as to protect our Group from parallel trading of “Organic Nature” products in elsewhere over the world other than via our “澳至尊” sales and distribution network.

- (ii) *HCL’s eagerness to enhance its brand awareness and expand into Asia markets leveraging on our brand management and development services*

We had approached a multitude of brand proprietors of health and personal care products in Australia to explore and capture business with regard to the rising concern of health care in consumer market in Hong Kong. Amongst them, HCL made constructive reply for interest in marketing its products in Asia markets. HCL expressed to our Directors its business strategy to focus on product packaging, labelling and release for supply. At that time HCL was eager to

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enhance its brand awareness but they did not prefer to continue to expand its direct sales network (which HCL found not so cost-efficient and effective). In this regard, our brand management and development services became a valued alternative to HCL and has developed a stable, mutual and complementary reliance between HCL and our Group.

(iii) Unlikely existence of HCL's products imported by parallel traders

Prior to our appointment as HCL's sole distributor in Hong Kong and Macau, HCL had only commenced sales in Australia and Taiwan. Our Directors considered that it would be unlikely for our Group to encounter risks and competition arising from parallel imported products in Hong Kong and Macau.

In 2004, HCL further extended our sole distributorship of certain "Organic Nature" products to the PRC. HCL has relatively limited sales and distribution network in Australia and Singapore. It has ceased its sales of "Organic Nature" products in the relevant region and granted us the worldwide sole distributorship of "Organic Nature" products in 2014 based on the following factors, (a) our fast growing business and sales results of the "Organic Nature" products managed by our Group in Hong Kong, Macau and the PRC; (b) an incentive which allows flexibility to our Group to continuously market and distribute the "Organic Nature" products in any region we consider appropriate while HCL is able to leverage our capital resources, expansion plan and marketing effort; and (c) the stable, mutual and complementary reliance between HCL and our Group (details of which is set out below). As confirmed by HCL, we are the largest customer of their wholesale business (in terms of revenue generated) during the Track Record Period. Our Directors considered that the worldwide sole distributorship of "Organic Nature" brand has demonstrated the trusted business relationship between our Group and HCL. Such right would prevent intra-brand competition with other local distributors as well as protect our Group from parallel trading of "Organic Nature" products in elsewhere over the world other than via our "澳至尊" sales and distribution network.

Other brand owned by HCL

Apart from the "Organic Nature" products (the major brand manufactured by HCL which accounted for a vast majority of their revenue) solely distributed by our Group, HCL also offers similar health supplement and personal care products under own brand "Vita Organic" for sales and distribution via third-party retail shops in Australia and distributors in Singapore. Our Group is not involved in distributing products manufactured by HCL other than "Organic Nature" products.

Our Directors consider that, despite the overlapping type of products between "Organic Nature" and "Vita Organic" brands (both of which are brands of health supplements and personal care products supplied by HCL), there is no actual competing business between the sales of two brands due to the difference in target geographic markets, target customers and operating scales. As mentioned in the Euromonitor Report, the existing health supplement brands in Hong Kong distribute similar ranges of products that often include naturally-sourced ingredients in their products, our Directors considered the brands compete with each other on brand building and reputation on which our Group has successfully established through the brand image of our multi-channel "澳至尊" sales and distribution network.

Our products under the "Organic Nature" brand are sold primarily focusing on the consumer markets in Hong Kong, Macau and, to a lesser extent, Singapore and the PRC (via our established "澳至尊" sales and distribution network), whereas the products under the "Vita Organic" brand are distributed via third-party retail shops in Australia and distributors in Singapore.

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While we are a Hong Kong-based brand builder and retailer who offers brand management and development services, HCL is a supplier and brand proprietor who merely engages in packaging, labelling and release for supply of therapeutic goods as licensed by the TGA. Our Directors are of the view that the majority of our target end customers of the “Organic Nature” brand are individual retail consumers in Hong Kong, who are confident in our proprietary “澳至尊” brand, the sales channels of “Vita Organic” products are relatively narrow leading to immaterial market shares in Australia and Singapore as compared to the scale of operations of our Group in Hong Kong. The customers of the “Vita Organic” brand are mostly individual retail consumers in Australia and Singapore. Although both “Organic Nature” and “Vita Organic” products have sales channels in Singapore, taking into account of (i) the insignificant scale of sales and distribution in Singapore to both our Group and HCL; and (ii) the immaterial market shares of the “Organic Nature” and “Vita Organic” products in the health supplement market in Singapore, the competition between two brands is considered to be very remote. To the best knowledge of our Directors, as at Latest Practicable Date, there is no overlapping distributors between the “Organic Nature” and “Vita Organic” brands.

While both “Organic Nature” and “Vita Organic” are brands of health supplement and personal care products, most of their customers are different in terms of geographical locations and consuming pattern. As confirmed with HCL, for the three latest financial years 2013, 2014 and 2015 of HCL, the sales of “Organic Nature” accounted for a majority of HCL’s wholesales revenue and the sales of “Vita Organic” is considered immaterial to HCL and the margins of their sales of “Organic Nature” are generally in line with similar products they sold to other customers under “Vita Organic”. Given that HCL does not possess the sales and distribution network, operating scales and marketing capacities as established by our Group, our Directors considered that the possibility of the “Vita Organic” brand competing with the “Organic Nature” brand managed by our Group is remote. Therefore, our Directors are of the view that the competition between the two brands, if any, is not extreme and such competition would not affect our Group’s suitability for Listing.

(iv) Stable and reliable supply of products by HCL with sound financial position

HCL, being an Independent Third Party, HCL has been a stable and reliable supplier to our Group. HCL has demonstrated overall positive operating profit with sound financial position during the Track Record Period. To the best knowledge of our Directors, being the largest customer of HCL, our Group has not encountered any material delay in inventory delivery and is not aware of any financial liquidity problem since the commencement of business relationship with HCL.

(v) Our reliance on HCL’s GMP licence to source products from upstream producers and manufacturers

Pursuant to the relevant Australia laws, TGA regulations and GMP guidance, unless the upstream producers and manufacturers have obtained licences to engage in labelling, packaging and release for supply of therapeutic goods, they are obliged to pass the health supplements produced to GMP-licenced packagers (like HCL). Our Group is not allowed to source health supplement products directly from the manufacturers but has to rely on packagers with GMP-licensed release-for-supply facility, which is responsible for verification of all production and quality record of the products provided by manufacturers. Before releasing the health supplements for export from Australia, the packagers have to ensure that the upstream manufacturers hold a TGA licence or are covered by a current GMP clearance for all of the manufacturing process they have performed.

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According to the Euromonitor Report and the Therapeutic Goods Administration of the Australian Department of Health, there are 395 Australian manufacturers of therapeutic goods as of March 2016. As multiple intermediary manufacturers can take part in the process of manufacturing therapeutic goods in Australia, not all registered manufacturers are involved in full product manufacturing. Based on the manufacturer count in the Therapeutic Goods Administration of the Australian Department of Health, there are 75 manufacturers licensed for full product manufacture, and 55 manufacturers licensed for packaging, labelling and release for supply. Despite all of the upstream suppliers of HCL are licensed by the TGA for packaging, labelling and release for supply of therapeutic goods, according to Euromonitor Report, it is common for manufacturers to focus on different manufacturing process instead of engaging in full product manufacturing within one manufacturer in Australia. Through such structure, manufacturers can focus and carry out their individual responsibilities while complying with the laws and regulations.

In the view of our Directors, an advantage for these Australian manufacturers to focus on specific manufacturing processes is the flexibility it brings. Therefore, HCL, as a packager sourcing the health supplement products from various upstream manufacturers, could (i) diversify the risk of disruption in supply when the natural ingredients for the health supplement products are in shortage; and (ii) offer a wide variety of health and personal care products without incurring the necessary capital investments in product developments by its upstream manufacturers. The flexibility enables HCL to exhaust its well-established network of upstream manufacturers in order to sustain a stable supply of a wide variety of products to us.

Further, full product manufacturers who are of smaller scales generally focus more on their upstream manufacturing process given the larger capital investment involved. In our Directors' view, if our Group were to source directly from full product manufacturers which do not possess the comparable scale of packaging, labelling and release for supply as HCL, our Group might be required to source specific packaging materials and package designs and register products with TGA itself, which will be costly and burdensome to our Group, as a Hong Kong based company without any operation in Australia.

In the selection of our brand proprietors, our Directors shortlisted suppliers who could (i) assure the stability of product supply; and (ii) offer a wide variety of products that flexibly fit our demanding response to the ever-changing customer behavior that our Group operates in. These essential criteria are difficult to be met by any single one of the smaller upstream manufacturers or integrated manufacturers alone in this industry without relative larger scale of capital investment while larger manufacturers normally require higher profit margins derived from our Group's purchase in consideration of their higher bargaining power. Our Directors are of the view that during the Track Record Period the cost of inventories and the gross profit margin we derived from the sales of similar products from "Organic Nature" brand of HCL, as a packager and brand proprietor, and from brands of Homart, as a full product manufacturer and brand proprietor are considered to be comparable. For details of the comparison of gross profit margins between our brands, please refer to the section headed "Financial Information -Gross profit and gross profit margin by brands" in this prospectus. Therefore, the strategy in engaging both HCL and Homart as our brand proprietors allowed our Group to balance our reliance among brand proprietors and to maintain our bargaining power over them accordingly.

For other commercial rationales for our Group to rely on HCL to source products from different upstream manufacturers, please refer to the paragraph headed "Business — Stable mutual and complementary reliance between HCL and our Group" below.

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Contractual agreements and renewal of agreements with HCL

Our sole distribution agreement (worldwide) with HCL executed in April 2015 relating to the distribution of “Organic Nature” products has a term of ten years and will be renewed automatically for a period of 10 years upon expiry unless a six months’ notice in writing has been served to other party for terminating the agreement. Our Directors confirmed that our Group has not encountered any difficulty in renewing the distribution agreements executed in October 2002, May 2004 and October 2014, respectively and the same have not been stopped or suspended since we commenced business relationship with HCL, and the regions which our Group has sole distribution rights has been expanding. For further details on the terms of the agreement, please refer to the paragraph headed “Principal terms of our major supply agreement” in this section.

Our Group and HCL will agree on the sales estimates at the beginning of each financial year and our Group is expected to use our best endeavours to achieve and exceed the agreed sales estimates. It is agreed and stated in the sole distributor agreement (worldwide) that failure to meet the agreed sales estimate shall not constitute a breach of the sole distributor (worldwide) agreement.

HCL does not provide pricing guidance on the “Organic Nature” products we distribute and our Group does not have to consult HCL before we determine the selling price. For further details on our pricing policy, please refer to the paragraph headed “Pricing Policy” in this section.

Stable mutual and complementary reliance between HCL and our Group

Apart from the “Organic Nature” products (the largest brand manufactured by HCL) solely distributed by our Group, HCL also offers other products under another brand for sales and distribution via third-party retail shops in Australia and distributors in Singapore. Our Group is not involved in distributing products manufactured by HCL other than “Organic Nature” products.

Our Directors are of the view that HCL, as a licensed manufacturer to engage in packaging, labelling and release for supply of therapeutic goods, has established long-term business relationships for over 10 years with most of the upstream manufacturers of therapeutic goods in Australia and owns an efficient network of upstream manufacturers, which valued HCL as priority customer, for sourcing the finished products upon the requirements of our Group and maintaining a stable supply of the finished products. Therefore, we consider that it is more cost effective and time-saving for our Group to leverage on the network of HCL to source products from different upstream manufacturers of finished products in light of their respective expertise, instead of directly sourcing from the upstream manufacturers.

We consider that it is commercially beneficial for both HCL and us to maintain a close and long-term business relationship with each other, for the following reasons:

- (i) *Our multi-faceted strategy with an established “澳之尊” sales and distribution network in Hong Kong’s health and personal care market*

Our Directors believe that our stable and long-term relationship with HCL is mainly due to our reputation in the industry, our extensive sales channels and our success in developing “Organic Nature” as one of the leading brands of health supplement products in Hong Kong. As the sole distributor worldwide, HCL solely relies on our Group’s marketing ability and our “澳之尊” sales and distribution to maintain a broad market reach.

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(ii) Valued business partners

During our long-term course of dealings with HCL, our Group has focused on the sales and distribution and continuous brand management and development of “Organic Nature” products from HCL while HCL has ensured the stable supply of high-quality products to our Group. Our Directors are of the view that HCL is a valued business partner and believe both HCL and us have developed, to a certain degree, a mutual reliance and benefit in terms of cost effectiveness, product quality and strong sales and distribution network. As HCL’s sole distributor, HCL caters to our suggestions and requests on products which tailor to our target customers’ demand, the current trend and our marketing strategies. HCL, on the other hand, will communicate with us on information such as the difficulties in the sourcing of natural ingredients (if any), the expected fluctuation of the cost of natural ingredients and provide suggestions to ensure our Group has a stable supply of products at a cost effective manner.

(iii) Difficulties faced by HCL in engaging another health and personal care products retailer distributors which offers brand management and development services for the distribution of “Organic Nature” products in Hong Kong in place of our Group and the change

Our Directors concur with the Euromonitor Report that good branding and reputation of competitors pose a significant entry barrier to new entrants and also high capital and operating costs are needed to gain brand’s exposure in the market. Our Directors are of the view that for HCL to identify and engage another health and personal care products distributor for the distribution of products could be difficult as (i) our Group is the registered owner of the trademarks associated with the “Organic Nature” brand in Hong Kong, Macau and the PRC; and (ii) some of our “Organic Nature” products are marketed with the Chinese characters “澳至尊” labeling as the flagship products under our sales and distribution network. If HCL were to engage another distributor for their products, there is possibility that their products could not be sold using the “Organic Nature” trademarks and market them with the Chinese character “澳至尊”, which will result in unforeseen problems and costs for HCL to distribute their products in Hong Kong, Macau and the PRC.

In the case that our Group is requested by HCL to transfer our registered trademarks associated with the “Organic Nature” brand to HCL upon the expiry or termination of our supply agreement with HCL, our Directors consider the transfer of the relevant trademarks to HCL is immaterial to our business operations as our corporate brand image builds up on “澳至尊” rather than “Organic Nature”, the latter of which is only a brand under our “澳至尊” sales and distribution network.

If HCL were to distribute their products under another brand name by engaging another distributor, the existing reputable brands in the market would be a significant barrier for the distributor to overcome and gain market traction. The distributor would have to spend significant time and resources to build the brand and reputation. This might increase the difficulty for HCL to engage a replacement distributor.

Further, our Directors are of the view that changing distributor may impact HCL’s business operations in the following ways: (i) our Group has engaged spokespersons for the promotion of our products and raising the awareness and profile of our brands, the television advertisement and printed advertisement have associated our spokespersons with our “Organic Nature” products and hence the changing of distributor may severely affect the sales of “Organic Nature” products; and (ii) the packaging, design and dosage of our “Organic Nature” products are tailor made as to our requests which coheres with our marketing strategy and brand image ourselves brand “澳至尊”

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sales and distribution network, if HCL were to change the distributor of “Organic Nature” products, the packaging, design and dosage of the products might not be suitable for them which will require additional costs to adapt to the replacement distributor’s requests.

Reliance on HCL would not affect our business prospect

Our Directors believe that our Group has the ability to replicate our co-operation with HCL in our development of business relationship with other brand proprietors.

Our Directors are of the view that our success is attributed to the brand image which “澳至尊” associates with. Alongside with maintaining constant long-term business relationship with HCL, we have from time to time identified potential brand proprietors and explore the business opportunities with them. Homart is one of the other brand proprietors which our Group has engaged and one of its products was our top products during the Track Record Period. Our Directors consider that our reliance on HCL would not affect our business prospect for the following reasons:

(i) *Our success is attributed to the brand image which “澳至尊” associates with*

Our Directors are of the view that our success is attributed to the brand image which “澳至尊” associates with. Our consumers purchase health supplement and personal care products from us because of their confidence in our proprietary “澳至尊” brand. Our Group has successfully invoked the core value and focus of “澳至尊” — quality health and personal care products vastly sourced from Australia with ingredients from extracts of natural resources to our consumers. If for any reason, the distribution agreement between HCL and our Group terminates and our Group does not distribute “Organic Nature” products, this core value of our Group will remain with us and not be affected. Our Group, as a retailer focusing on the sale and distribution of health and personal care products managed and developed by us through our sales and distribution network, would make sure our brand proprietors’ products fit into the core value of our proprietary “澳至尊” brand. For the relevant risk factor regarding the market recognition of our brand image, please refer to the section headed “Risk Factors — Our business depends significant on the market recognition of our brand name “澳至尊” and the brand name of our products and any damage or invalidation of our trademarks to the same or failure to effectively promote the brands could materially and adversely impact our business and results of operations.” in this prospectus.

(ii) *Continuously identifying potential brand proprietors*

Our success in promoting and developing our products of our brand proprietors through our multi-channel “澳至尊” sales and distribution network have attracted many brand proprietors and suppliers approaching us and seeking for business opportunities and cooperation. Our Group also continuously identifies potential brand proprietors and suppliers and adopts stringent approach in the selection and sourcing of brand proprietors and suppliers. Our Directors believe that our successful experience and reliance on HCL has been beneficial to both parties and the reliance is mutual. The development of business relationship between HCL and our Group enabled us to better understand (i) the criteria for selecting a potential brand proprietor and suppliers which fits into our business model, which is helpful for our Group when selecting and identifying potential brand proprietors and suppliers; and (ii) the key elements and strategies for effective brand management and development which could be replicated to other brand proprietors. Our Directors consider that our relationship with HCL is in line with our Group’s strategy to focus on establishing long-term relationship with quality brand proprietors as significant advertising and marketing costs are involved for promoting each brand and maintaining the market reach. Our Directors are of the view that the products offered by the potential brand proprietors and suppliers, which our Group has identified, are available at comparable cost of inventories as to Organic Nature’s products.

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- (iii) *Information of manufacturers with TGA licence for carrying out packaging, labeling and release for supply or other manufacturing process for the production of therapeutic goods are transparent and easily accessible*

The Therapeutic Goods Administration of the Department of Health of the Australian Government maintains a database of all the Australian manufacturers which carry out different manufacturer process of registered and listed therapeutic goods, which is publicly available. Our Group can conveniently identify suitable manufacturers for our products and the time required can be kept at minimal if our business development requires us to do so.

- (iv) *Product specifications detailing the ingredients and amount of dosage are available to our Group and no patent is involved for most of the products our Group distributes*

Product specifications have to be provided by our suppliers (including HCL) for our quality control team to ensure the products are of industry standards and the ingredients meet the requirements under the relevant laws and regulations. The product specifications include details of the ingredients and amount of dosage of the product. To the best knowledge of our Directors, no patent is involved in the manufacture of existing health and personal products our Group distributes. In cases when our Group wishes to switch to another supplier, our Group will be able to provide information of our existing health and personal care products to the alternative manufacturer, which minimises the time and costs for the development of product and enhances the ease for switching to an alternative supplier.

- (v) *Homart is also our major brand proprietor*

Homart is our supplier and brand proprietor of “Top Life” and “Golden Hive” health and personal care products, products of which will have similarities in respect of the functions and ingredient with “Organic Nature” products. Some of the “Top Life” and “Golden Hive” products have overlapping product nature and target customers as “Organic Nature” products and our Directors are of the view that managing brands with some similar products would enable our Group to gain retail shelf space, provide more choice to consumers and increase our Group’s market share. If HCL for any reason terminates our distribution agreement, our Group would adopt alternative marketing strategies and encourage sales of “Top Life” and “Golden Hive” products. Our Directors believe that our customer’s loyalty to our products is built upon the brand image which “澳至尊” associated with. To a large extent, most of our customers purchased the health and personal care products of brands managed by us because of their confidence in our proprietary “澳至尊” brand and our multi-channel sales and distribution network. Although customer loyalty towards “Organic Nature” products exist, considering that the similarities among the product nature and target customers of “Organic Nature”, “Top Life” and “Golden Hive” products, with the adoption of alternative effective marketing strategies, many of our customers would also consume “Top Life” and “Golden Hive” products if “Organic Nature” products become unavailable.

The overall gross profit margin of Top Life’s health supplement products remained the highest among the brands managed by our Group and the cost of inventories of similar products of “Top Life” are comparable to “Organic Nature”. Our Directors are of the view that if for any reason our Group has to source a larger majority of products (in addition to “Top Life” and “Golden Hive” products) from Homart, the estimated lead time is at minimal, less than six months (inclusive of normal delivery time), which has taken into account that (i) the scale of their business operation and the capacity of the production plants of Homart is significantly larger than HCL; (ii) this larger majority of products which we may source from Homart is likely to be very similar to the existing “Top Life” and “Golden Hive” products; (iii) Homart has GMP Manufacturing Licence to carry out full product manufacturing and packaging, labelling and release for supply of different forms of listed or registered therapeutic goods which enables Homart to be subject to minimal uncertainty during

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the production; and (iv) our Group has existing business relationship with them. Over the years, Homart has actively provided their production proposals and quotations to our Group for further business opportunities. Apart from “Top Life” and “Golden Hive” products which our Group exclusively distributes in Hong Kong, an extensive range of Homart’s health and personal care products is also covered by their other reputable brands, which are distributed through Homart’s own sales and distribution network mainly in Australia and China. Our Directors are of the view that if for any reason our Group has to source a larger majority of products, Homart is willing to tailor and has demonstrated the sufficient capacity to meet our Group’s additional demand if HCL ceases to supply “Organic Nature” branded products to our Group.

(vi) The estimated lead time for sourcing products similar to the HCL products we distribute is short

If for any reason, to replace HCL, our Company has decided to also engage another new brand proprietor to supply health and personal care products apart from strengthening the “Top Life” brand, our Directors consider that the estimated lead time from engaging a new brand proprietor to launching the products in store is about three to five months. The short lead time is due to the fact that (i) we continuously identify potential brand proprietors; (ii) information of manufacturers with TGA licence for carrying out packaging, labeling and release for supply or other manufacturing process for the production of therapeutic goods are transparent and easily accessible; and (iii) production specifications detailing the ingredients and amount of dosage are available to our Group and no patent is involved for all the HCL products our Group distributes (which are detailed in the above paragraphs headed “Business — Reliance on HCL would not affect our business prospect” above).

QUALITY CONTROL

We aim to provide quality products to our customers, and we have adopted a quality control system for our products.

Our health supplement products are manufactured in Australia in GMP-certified factories and are approved by the TGA of Australia. Good Manufacturing Practice (GMP) is a set of principles and procedures for all stages of the manufacturing process to ensure that therapeutic goods are of high quality. The products are tested and inspected under the GMP system in Australia.

Our quality control team includes two nutritionists, with degrees in nutrition. Before our Group enters into exclusive distribution agreements, or distributes and launches any new products, our quality control team would obtain and inspect all the relevant certificates and documents of the products from the suppliers, including the product specification, certificate of analysis, laboratory test result, certificate of origin, certificate of health and certificate of free sale. Our Group also takes samples of the products from suppliers for ingredients examination through an external laboratory in Hong Kong to ensure the quality and safety of our products complies with all the relevant rules and regulations in Hong Kong and other relevant jurisdictions.

The quality control team also performs routine checking on all the products purchased and delivered to us. Relevant documents such as the certificate of analysis of each batch will be obtained. Review of packing and conformity with the product description and quantity under the purchase order, such as a check on the brand and product name, the dosage, product specification, expiry date, barcode and batch number, will be performed upon arrival before receipt is acknowledged.

The suppliers provide quality assurance and are generally responsible for any product liability, which is covered by product liability insurance purchased by them.

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We perform physical inspection of our product inventory on a weekly basis to identify any obsolete inventories, including damaged and close-to-expire inventories and ensure that our products are in good conditions before despatch to our sales channels.

SALES AND DISTRIBUTION

We have established a multi-channel “澳至尊” sales and distribution network including retail sales at our self-operated specialty stores in Hong Kong and Macau, consignment sales (including counter sales and shelf product sales) at the consignee stores in Hong Kong and Macau, wholesale sales to individual and chain retailers, online shopping platforms in China, online sales through our own website and distribution sales in Singapore via an exclusive distributor. We also sell our products in exhibitions and trade fairs. During the Track Record Period, approximately 89.1%, 78.3% and 75.5% of our revenue was derived from our consignment stores via sales counters or displaying our products on shelves as shelf products. Our Group’s sales team consisted 151 sales and marketing staff as at the Latest Practicable Date. They station at our specialty stores and our sales counters at the consignee stores to promote our products and provide product information to the consumers.

A majority of our sales was made through consignment stores during the Track Record Period. The table below shows a breakdown of our revenue by sales channels during the Track Record Period.

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Specialty stores	15,920	8.1	34,425	15.2	33,806	16.0
Consignment stores	174,155	89.1	176,806	78.3	159,110	75.5
Other sales channels	5,386	2.8	14,557	6.5	17,924	8.5
Total	<u>195,461</u>	<u>100</u>	<u>225,788</u>	<u>100</u>	<u>210,840</u>	<u>100</u>

Note: Other sales channels include online sales at our website, online shopping platforms in China, distribution in Singapore by an exclusive distributor and sales at trade fairs and exhibitions.

The table below shows a breakdown of our revenue by geographic locations during the Track Record Period.

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	184,153	94.2	200,516	88.8	185,944	88.2
Macau	9,751	5.0	22,962	10.2	23,830	11.3
Singapore	153	0.1	847	0.4	1,021	0.5
PRC	1,404	0.7	1,463	0.6	45	0.0
Total	<u>195,461</u>	<u>100</u>	<u>225,788</u>	<u>100</u>	<u>210,840</u>	<u>100</u>

Since our establishment, a majority of our revenue has been derived from our sales in Hong Kong. Our Group had also undergone attempts in deriving revenue from Macau, Singapore and the PRC respectively via our multi-channel “澳至尊” sales and distribution network during the Track Record Period. As at the Latest Practicable Date, while we had set up specialty stores and developed consignment network in Macau, we also sought to capture the PRC and Singapore markets via online shopping platforms and distribution sales in Singapore, respectively. Going forward, our Directors aim at further exploring business opportunities in these markets by expanding its existing sales network and also to actively seek to extend our geographic coverage in other Southeast Asian counties, such as, Taiwan and Indonesia.

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“澳至尊” Specialty Stores

As at the Latest Practicable Date, we operated a network of 12 specialty stores covering different districts in Hong Kong, comprising three shopping mall shops and nine stores which are located in MTR stations. We also operate one specialty store in Macau. For the three years ended 31 March 2016, the net profits derived from our specialty stores (after taking into account of mainly rental expenses, staff costs and depreciation) are approximately HK\$1,267,000, HK\$2,881,000 and HK\$3,861,000 respectively.

We place strong emphasis on maintaining our brand recognition and a consistent brand image. All of our specialty stores adopt a consistent design and layout scheme, use our promotional and marketing brochures and materials.

We directly manage the day-to-day operations of our specialty stores. Our sales and marketing staff conducts on-site inspections on randomly selected specialty stores to ensure that our sales strategies and policies are observed and internal control policies are complied with. We have an up-to-date ERP system which enables us to monitor the sales and inventory at our specialty stores in Hong Kong on a real-time basis.

Please refer to the paragraph headed “Our Business Model — 8) sales support and customer services — Return policy” in this section for details of the return policy of our products at our specialty stores.

The table below sets forth the number of our specialty stores for the time indicated.

	As at 31 March		
	2014	2015	2016
Number of stores			
Number at the start of the period	3	11	15
Number added during the period	8	6	1
Number decreased during the period	—	2	3
Total number at the end of the period	11	15	13

Our number of specialty store has been generally growing during the Track Record Period. The decrease in the number of our specialty stores between 31 March 2015 and 31 March 2016 was due to the dissolution of Truth and Faith (Shenzhen) in May 2015, the sale of the entire issued share capital of Truth & Faith (Singapore) in August 2015 and our Directors’ decision not to renew the lease agreement of one of our specialty stores in Hong Kong after considering the low pedestrian flow. Our Group operated two specialty stores in the PRC before the dissolution of Truth and Faith (Shenzhen) and two specialty stores in Singapore before our Group’s disposal of Truth & Faith (Singapore).

Site selection

We consider identifying a suitable location for our specialty stores to be crucial to our success. The factors that we take into account in selecting a new store location include premises size and accessibility of the location to our target customers, spending patterns of our target customers, estimated pedestrian flow, cost of set-up, geographic coverage of the location compared to that of our existing stores to avoid any competition and cannibalisation among our stores, and proximity to our competitors. Most of our existing stores in Hong Kong are situated at convenient locations such as MTR stations with high pedestrian flow.

We expect that the opening of each new specialty store in Hong Kong will require, on average, capital expenditure of approximately HK\$0.5 million, based on the average of our historical records.

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When we evaluate the performance of our new stores, we consider both the breakeven period and investment payback period. The average breakeven period and the average investment payback period are approximately 4 and 21 months respectively for the specialty stores we opened in Hong Kong during the Track Record Period. The breakeven period is the period after which the monthly revenue of the specialty store is at least equal to its monthly expenses. The investment payback period is the average time it takes for the accumulated net profit from a store to cover the costs of opening and operating the store for the period, including incurred capital expenditures and ongoing cash and non-cash operating expenses. During the Track Record Period, our Directors decided not to renew the lease agreement of one of the specialty stores which experienced overall net loss over the lease period.

Consignment Stores

As at the Latest Practicable Date, we operated 67 sales counters in Hong Kong and eight in Macau in the retail stores of our consignees. During the Track Record Period, approximately 89.1%, 78.3% and 75.5% of our revenue was derived from our consignment stores. Our consignee stores include a major health care product retail chain, a major cosmetic product retail chain, department stores and supermarkets. These sales counters are cost effective as we are able to leverage on the consignee stores' high pedestrian flow and allow us to expand our sales network without incurring the time and cost required for opening our own specialty store. By having our own sales promoters stationed at our sales counters, we can promote our products and enhance our brand awareness. The suggested retail prices of our products are determined by us and we allow our consignee to offer at most a 5% discount to the suggested retail price. During the Track Record Period, over 90% of consignment sales were made through our consignees with over seven years of business relationship with us.

We generally enter into consignment agreements with our consignees. Under such consignment agreements, the title to the products remains with us until the products are sold to the end customers. Products are sold to the end customers via (i) sales counters; or (ii) displayed on shelf as shelf products. Certain selected shelf products are sold via certain consignee retail stores. The consignees provide cashier service by taking payment from the general public consumers. Our consignees generally deduct a pre-agreed percentage of our consignment sales made at their stores as the commission payment to them.

According to HKAS 18 para. 7, revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increase in equity, other than increases relating to contributions from equity participants.

According to HKAS 18 para. 9, revenue shall be measured at the fair value of the consideration received or receivable, and 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 in accordance with HKAS 18 para. 7.

Consignment sales under which the consignee undertakes to sell the goods on behalf of the Group, so the Group recognises the sales revenue in the gross amount of consideration (which is after deduction of any trade discounts) when delivery is made to the end customers and cash is collected on behalf of the Group by the consignee. Commission of the consignee is calculated on gross sales made by the consignee. It is a reward to the consignee by the Group for selling the Group's goods, and accordingly, such commission is excluded from sales revenue.

Commission paid to consignee is recognised as consignment expenses and is included in selling and distribution expenses. Our Group's consignment expense ranges from 25% to 60% of our consignment sales during the Track Record Period and the consignment expenses amounted to approximately HK\$76.8 million, HK\$78.2 million and HK\$70.7 million for the three years ended 31 March 2016 respectively.

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The consignees generally provide a monthly sales report in respect of the sales at our sales counters and the shelf products. We reconcile the report with records maintained by our accounts department. We recognise monthly sales at our sales counters and shelf products up to each month-end based on the month-end records of our accounts department reconciled with the consignee's corresponding monthly sales report which is generally available in the middle of the following month delivered by our consignees. Our sales supervisors conduct site visits to review sales and performance of our sales staff on a regular basis. We also maintain frequent communication with our consignees and monitor the sales performance of our sales counters and shelf products, which allows us to receive market feedback from such sales channels.

In order to promote our products and consignment sales, we provide free training to the sales staff of our major consignees from time to time, which also serves to strengthen our relationship with such consignees.

Sales counters at consignee stores

We manage our sales counters directly through our sales promoters stationed at the sales counters and are responsible for promoting our products and providing product information to consumers as well as their product display, delivery and replenishment. Sales proceeds from sales at the sales counters are generally collected at the cash registers of the consignee store, which will settle the sales proceeds to us after deducting commissions payable to them generally on a monthly basis.

Our number of sales counters at the consignee stores have been growing during the Track Record Period as a result of the continued expansion of the “澳至尊” sales and distribution networks.

The table below sets forth the number of our sales counter for the time indicated.

	As at 31 March		
	2014	2015	2016
Number of sales counters*			
Number at the start of the period	48	59	66
Number added during the period	16	15	15
Number decreased during the period	5	8	6
Total number at the end of the period	59	66	75

Note:

* This does not include temporary promotional sales counters.

During the Track Record Period, the consignment stores remain as an effective channel in our sales and distribution network.

The table below shows the average consignment sales per sq.ft during the Track Record Period.

	For the year ended 31 March		
	2014	2015	2016
Total consignment area in sq.ft	1,184	1,385	1,071
Average consignment sales (HK\$'000/sq.ft)	147	128	149

Note: The decrease of total consignment area in sq. ft for the year ended 31 March 2016 is the result of the discontinuance of our consignment sales via the two sizeable non-performing consignment sales counters in Kwun Tong and Mong Kok which leads to the increase in our average consignment sales per sq.ft.

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Other Sales Channels

Wholesale to individual and chain retailers

In addition to our retail sales, we also sell our products to individual and chain retailers which on-sell the products to their customers. Such retailers include a major cosmetic product retail chain in Hong Kong, beauty salons, individual pharmacies and health food retailers.

The third-party retailers usually place replenishment orders with us on order basis. We issue invoices to the retailers upon fulfilling the replenishment orders by delivering the products to them. At this point, revenue from sales of our products is recognised as the title of the products is passed to the individual and chain retailers upon delivery. During the Track Record Period, we granted credit term for our wholesale customers of up to 120 days, depending on their scale of operation, purchase quantity, credit record and other commercial considerations.

Our chain wholesaler is also one of our consignees where our Group also operates our sales counters in. The chain wholesaler purchases our products, displays them on shelf and sells them to the end customers. There are occasions when our products are sold via two channels at our consignee chain retail stores: (i) sales counters; and (ii) on shelf at our consignee chain retailer stores (also our chain wholesaler). To avoid cannibalisation, the products sold on shelf will not overlap with our products sold at the sales counters of our consignee retail stores.

The table below sets forth the number of individual and chain retailers for the time/periods indicated.

	As at 31 March		
	2014	2015	2016
Number of individual and chain retailers			
Number at the start of the period	67	55	62
Number increased during the period	43	39	33
Number decreased during the period	55	32	39
Total number at the end of the period	55	62	56

Online Shop

Our online shop features our product descriptions with highlights on our popular products and promotional offers. We accept online purchase orders from Hong Kong and arrange the delivery of products.

Online Shopping Platforms in China

In order to tap into the growing health and personal care products market in China, we have entered into sales agreements with two online shopping platforms in China in March 2015 and January 2016, respectively for sale of our health supplement products through the online platform operators. Under the sales agreements, we will sell by way of wholesale and consignment and deliver our products to the online platform operators in Hong Kong and they will in turn promote and sell them through their online shopping platforms to their customers in Hong Kong and China. The online platform operators will be responsible for obtaining all necessary licences and complying with the applicable laws and regulations for their sales to the end customers; and except for defective or damaged products, they will have no right to return or exchange any products to us. The retail prices of the products sold on the online shopping platforms are not allowed to be set below the retail prices in our specialty store in Hong Kong as stated in the sales agreement. Our Directors are of the view that online shopping platform is a cost-effective and efficient sales channel as the selling and distribution expenses of online shopping

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platform is minimal, unlike operating specialty stores in which rental expense is incurred. Leveraging on the extensive coverage of internet, online shopping platform is an efficient sales channel that sales of our products can be made anytime, anywhere and by anyone via the online shopping platform which enables our products to reach and aggregate a large customer base.

Sales Distributor in Singapore

In August 2015, our Group entered into an exclusive distribution agreement with Truth and Faith (Singapore), under which the latter became the exclusive distributor of our “Organic Nature” products in Singapore. Pursuant to the exclusive distribution agreement, our Group will sell and deliver the products (and transfer away the titles upon delivery by shipment) to Truth & Faith (Singapore), which will onward distribute the “Organic Nature” products to its customers in Singapore. Our Group has also granted an exclusive licence to Truth and Faith (Singapore) to use our Group’s trademarks registered in Singapore to promote, sell and distribute our products in Singapore in accordance with the terms and conditions of the licence agreement signed on 31 August 2015.

Exhibitions and trade fairs

Exhibitions and trade fairs, apart from being one of the marketing activities, is also one of the sales channels which contributed sales revenue to our Group during the Track Record Period. We attend various exhibitions and trade fairs, such as the Hong Kong Brands and Products Expo, Food Expo, Cosmoprof Asia Trade Fair in Hong Kong and trade fairs in China organised by the Trade Development Council or the Chinese Manufacturers’ Association of Hong Kong. At trade fairs, the industry players including our potential suppliers and customers are introduced to and understand our products at our exhibition booths stationed by our sales and marketing staff. Our Directors are of the view that trade fairs are good platforms for us to meet potential suppliers and customers and to expand both our pool of suppliers and customer base as it is an effective channel for brand promotion.

Whereas, at exhibitions, such as Hong Kong Brands and Products Expo and Food Expo, the visitors, mainly our target consumers, could purchase our products at the exhibition booths after understanding our products from our sales promoters. Complementary samples are often provided to the visitors to attract and enable them to try and experience the benefits which our products bring out. Our Directors are of the view that exhibition is one of the effective channels which allows our Group to promote our products and reach a wider consumer base.

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Principal terms of the agreement

The following table sets forth the typical principal terms of the agreement and arrangement with our sales channels engaged as at the Latest Practicable Date:

	<u>Consignment stores</u>	<u>Wholesale to retailers</u>	<u>Online shopping platforms in China</u>	<u>Sales distributor in Singapore</u>
Distribution Method	Sales counter and shelf products	Wholesale	Wholesale and consignment	Wholesale
Years of business relationship	Between one to over 7 years	Less than one year	Less than one year	Less than one year since the disposal of Truth & Faith (Singapore)
Duration of contract	1 year to permanently valid (until termination)	1 year	1 year	Permanently valid (until termination)
Geographic location	Hong Kong and Macau	Macau	PRC	Singapore
Consignment price term	Consignment fee ranges from 25% to 60% of the sales value Some consignee will also impose a minimum licence fee	N/A	Commission ranges from 0% to 25% of the sales value	N/A
Retail pricing policy	Generally, our consignee has to follow the suggested price set by our Group and consignees cannot change the retail price without notifying our Group At most, our Group allows our consignee to offer a 5% discount to the suggested retail price	Retail price in our specialty store	Not less than the retail price in our specialty store	Distributor can formulate its own pricing policy for distribution in Singapore
Minimum purchase requirement	nil	nil	nil	Not less than SGD 100,000.00 for each 12-month period Not less than SGD 10,000.00 products for each order
Sales target	nil	nil	nil	nil
Sales incentive/rebate	nil	nil	nil	nil
Provision of sales/inventory reports	Not specified in some of the agreements and some consignees provide bi-monthly sales report	nil	Wholesaler provides monthly sales report	nil
Payment method	Cheque payment or auto pay	nil	Telegraphic transfer	nil
Credit periods	15 to 60 days from the end of each calendar month	As agreed in the agreement, the total purchase amount is paid in three instalments	15 days to 30 days	90 days from the date of invoice

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	<u>Consignment stores</u>	<u>Wholesale to retailers</u>	<u>Online shopping platforms in China</u>	<u>Sales distributor in Singapore</u>
Product quality requirement	Generally the main requirements include:	nil	The main requirements include:	nil
	(i) Products are free from defect		(i) Brand new original goods with no change of packaging	
	(ii) Products are of merchantable quality		(ii) Goods shall comply with the Hong Kong standard by laws and regulations with certificate issued by relevant Hong Kong authority	
	(iii) No infringement of others' intellectual property rights			
	(iv) In compliance with Hong Kong laws			
	(v) Good right to title and free from any charge, claim or encumbrances		(iii) Products should be at least 18 months to the expire date	
	(vi) Products shall be sourced from safe and reliable origins and are safe in accordance with any prescribed standard currently and from time to time in force under Hong Kong laws and regulations			
Return of defective products/damaged product allowance	Generally by individual claims or to be agreed by both the consignees and our Group	nil	(i) Non-compliance with the agreement or other standard specified by the order	nil
			(ii) Return of goods by reason of being damaged or defective shall be solved by negotiation of both parties	

BUSINESS

	<u>Consignment stores</u>	<u>Wholesale to retailers</u>	<u>Online shopping platforms in China</u>	<u>Sales distributor in Singapore</u>
Goods return arrangement	Generally no specific terms or to be agreed by both the consignees and our Company	nil	Goods can be returned if the following conditions happen: <ul style="list-style-type: none"> (i) Non-compliance with the standard governed by Hong Kong laws and regulations (ii) Infringing others' intellectual rights or become disputable as being infringing others' rights (iii) Non-compliance with the agreement or other standard specified by the order or being damaged 	nil
Other obligations of our Group	Not specified	<ul style="list-style-type: none"> (i) compliance with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) (ii) confidentiality obligation 	Compliance with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong)	<ul style="list-style-type: none"> (i) our Group shall not appoint or authorise any other distributor for the distribution of our products in Singapore (ii) our Group shall provide reasonable and practical assistance to the distributor in advertising, marketing and promotion of products in Singapore

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	<u>Consignment stores</u>	<u>Wholesale to retailers</u>	<u>Online shopping platforms in China</u>	<u>Sales distributor in Singapore</u>
Other obligations of the other contracting party	nil	<ul style="list-style-type: none"> (i) compliance with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) (ii) confidentiality obligation 	Compliance with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong)	<ul style="list-style-type: none"> (i) The distributor shall only represent itself as the exclusive distributor for the products in Singapore, but not in respect of other places. (ii) The distributor shall use its best endeavours to promote and expand the supply of the products in Singapore and shall provide such advertising and publicity on a continuing basis as may reasonably be expected to bring the products to the attention of purchasers and potential purchasers. (iii) The distributor shall comply with the standards, directions and guidelines relating to the promotion, distribution and sale of the products, as directed by the supplier from time to time. (iv) The distributor shall not sell, market, distribute or use for any purpose, or permit any third party to sell, market, distribute or use for any purpose, any kind of health supplements or health food other than the products supplied by the supplier, or which are damaged, defective or not of merchantable quality. (v) The distributor shall permit the supplier or its authorised representative at all reasonable times to inspect during the term, the distributor's marketing materials, marketing plans or proposals, and any and all related materials for the purposes of performing an audit of the distributor's conformity with the standards stipulated by the supplier.

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	<u>Consignment stores</u>	<u>Wholesale to retailers</u>	<u>Online shopping platforms in China</u>	<u>Sales distributor in Singapore</u>
Conditions for termination or renewal of agreement	One to three months' written notice	Termination by written notice, bankruptcy or change of operation Automatic renewal till enter into new contact	Termination by written notice, bankruptcy or change of operation Automatic renewal till enter into new contact	90 days' written notice 30 days after a written notice issued by the notifying party to the defaulted party for remedy of the default if there is omission on the defaulted party.

Management of our sales channels

We generally enter into agreements with our sales channels, with typical principal terms set out above. The agreements specify the designated distribution territories for each of our sales channel. Our sales channel are restricted to distribute our products in their respective distribution territories and retail stores only.

Mitigation of the risk of cannibalisation among our sales channels

1. when we select our sales channel, we take into account (i) the location of the consignees' retail stores and wholesalers' sales channels; and (ii) our sales channels' target customer group to ensure our sales networks do not materially overlap;
2. under the agreements, our sales counters are restricted to the designated consignees' retail stores and we understand our wholesalers' sales channels thoroughly before we engage into an agreement with them, with an aim to establish a network of distribution complementing each other and avoid competition among our sales channels;
3. we set the suggested retail prices of our products and most of our sales channels are not allowed to change the retail price without notifying us for our approval, hence, our Group could have control over the retail price; and
4. There are occasions when our specialty stores and consignee retail stores locate at the same region. Our Directors are of the view that the proximity of sales channel does not constitute to cannibalisation as our specialty stores are strategically located to capture customers from different pedestrian flow, for example, our specialty stores located at the MTR stations capture more local customers who commute by MTR while our sales counters at the consignee stores reach a more diversified customer coverage capturing customers who will normally consume our products as well as other products such as cosmetics and personal care products when they shop along in our consignee stores.

Our Group has implemented know-your-customer (KYC) internal procedures before we enter into an agreement. The procedures include but not limited to obtaining a list of documents and detailed information such as the business registration, name card, contact details and other statutory documents from our potential distributors including our consignees and wholesalers. Further, through business meetings with our potential distributors, we understand the nature of the business, the business model and the sales channels of our potential distributors. In circumstances when our potential distributors have physical stores as their sales channels, our Group will perform physical inspection on these distributing stores. Further, to enhance our distributors' understanding of our products, our Group provides training to the salespersons of our distributors including our consignees and wholesalers which also enables us to understand the feedbacks from our customers from different sales channels and has been very helpful when designing our marketing strategies.

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PRICING POLICY

We maintain a suggested retail price list which is universal among our “澳至尊” sales and distribution retail channels in the particular region. Our Group determines the suggested retail price on a cost-plus basis, taking into account of, inter alia, the cost of inventories sourced from our brand proprietors and sales and marketing cost. Our brand proprietors did not require our Group to consult them before we determine the selling price and there is no pricing guidance from our brand proprietors which we will have to follow during the Track Record Period. Our consignees, wholesalers, retailers and online shopping platforms have to adhere to the suggested price list or are allowed a certain percentage of discount as agreed according to the terms of agreement. There are two circumstances whereby discount to the retail prices and promotional offers to the products would occur: (i) promotion events initiated by the consignees; and (ii) promotions initiated by our Group. For the three years ended 31 March 2016, the total discounts offered to our customers and end customers amounted to approximately HK\$53.1 million, HK\$77.6 million and HK\$86.8 million respectively, which is approximately 21.1%, 24.3% and 27.9% of our total revenue.

Promotion events initiated by the consignees

Apart from the allowed range of discount as agreed in the terms of contract, our consignees may propose a percentage of discount and promotion period which complement to the consignees' own promotion plans and invite our Group to participate in the promotion events. Our Group will make the decision on whether to participate or not after considering the benefits accrued to the sales of our products.

Promotion events initiated by our Group

To complement our sales and marketing plans, our sales and marketing team designs promotion plans monthly which our specialty stores, sales counters at the consignee retail stores will follow. The products which are subject to promotion and discounts are selected after considering the inventory, popularity, margin, season, shelf-life of the products and customer feedback. The discounts and promotion events include monthly offers to our members, customers, business partners or complementary coupons offered in magazines which we have placed advertisements in.

Discount to our individual and chain retailers

Considering our sales via our individual and chain retailers rely mainly on the retailers own distribution network and incur minimal selling and distribution expenses, our Group generally offer our individual and chain retailers a considerable bulk-buy discount in order to capture a larger market share, which was not covered by our consignment and specialty store network.

The amount of discount is based on (i) the negotiation between individual and chain retailers and our Group; (ii) the volume of the products being purchased; and (iii) the market sentiment in the relevant period.

SEASONALITY

Our sales of products will be influenced by seasonal factors, including the time of local and PRC holidays, the time of exhibitions and trade fairs, and other events affecting consumer demand and purchasing patterns of customers. These factors may cause our sales and operating results to fluctuate from quarter to quarter. In particular, at times when our Group participates in trade fairs such as the Hong Kong Brands and Products Expo, our sales at the relevant period boost up significantly. During the

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Track Record Period, our sales peaked in the third and fourth quarters of our financial years especially the period around the festive seasons when consumers buy our products as Christmas and New Year gifts.

CUSTOMERS

Due to the nature of our Group's business, our customers consist of retail consumers from the general public and individual and chain retailers whom we wholesale our products to (where the related risks and rewards of ownership is passed upon the delivery of products to the said retail customers, individual and chain retailers, as the case may be). The majority of our sales are made through our own specialty stores and consignment stores, our Directors considered that during the Track Record Period the sales to each of our individual consumers via these retail and sales channels is immaterial and difficult to quantify individually, and that our sales to each of our wholesale distributor was attributable to less than 3.5% of our overall revenue for the three years ended 31 March 2016. Our Directors are of the view that our Group did not rely on any single customer during the Track Record Period.

Alternatively, our analysis of our major distributors (other than via our own specialty stores) are detailed below.

Major distributors

Our distributors include our consignees, and individual and chain retailers of our other sales channels. Our consignees generally deduct a pre-agreed percentage of our consignment sales made at their stores as the commission payment to them. Consignment sales and wholesale sales to our individual and chain retailers together contributed to over 80% of our revenue during the Track Record Period. For further details of the consignment sales arrangement, please refer to the sections "Business — consignment stores" and "Business — other sales channels" in this prospectus.

For the three years ended 31 March 2016, sales through our five largest distributors, accounted for approximately 85.2%, 75.5% and 74.1% of our total revenue, while the largest distributor, who is our consignee retailer, accounted for 52.3%, 44.2% and 43.1%, respectively of our total revenue for the same year.

Our Group maintained a long business relationship with our distributors. All of our top five distributors, apart from Distributor H, had more than seven years of business relationship with us during the Track Record Period.

To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, to the best of our Directors' knowledge, owns more than 5% of the issued share capital of our Company or of any of our subsidiaries, had any interest in any of our five largest distributors during the Track Record Period.

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

Top 5 distributors of the Group for the year ended 31 March 2014	Approximate total amount of sales (HK\$'000)	Approximate percentage to the total revenue of our Group (%)	Nature of product sold	Business started from	Credit terms allowed	Principal business	Permitted sales location
Distributor A (Note 1) (consignment sales)	102,271	52.3%	Health supplement products; honey and pollen products; personal care products	2008	30 days from month end	Retailing, a related party to a company listed on the London Stock Exchange, Singapore Exchange and Bermuda Stock Exchange	Hong Kong and Macau
Distributor B (Note 2) (consignment sales)	47,737	24.4%	Health supplement products; honey and pollen products; personal care products	2006	60 days from date of sales report	Retailing cosmetic products, a wholly owned subsidiary of a company listed on the Main Board of the Stock Exchange	Hong Kong and Macau
Distributor C (consignment sales)	12,183	6.2%	Health supplement products; honey and pollen products; personal care products	2007	30 days from month end	Retailing food, cigarette and liquor, a wholly owned subsidiary of a company listed on the Main Board of the Stock Exchange	Hong Kong
Distributor D (consignment sales)	2,431	1.2%	Health supplement products; honey and pollen products; personal care products	2006	30 days from month end	Retailing, a wholly owned subsidiary of a company listed on the Main Board of the Stock Exchange	Hong Kong
Distributor E (consignment sales)	2,194	1.1%	Health supplement products; honey and pollen products; personal care products	2008	15 days from month end	Retailing, a company listed on the Main Board of the Stock Exchange	Hong Kong

Note 1: Distributor A represents a group of entities which were ultimately controlled by the same shareholder.

Note 2: Distributor B represents a group of entities which were ultimately controlled by the same shareholder.

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Top 5 distributors of the Group for the year ended 31 March 2015	Approximate total amount of sales (HK\$'000)	Approximate percentage to the total revenue of our Group (%)	Nature of product sold	Business started from	Credit terms allowed	Principal business	Permitted sales location
Distributor A (<i>Note 1</i>) (consignment sales)	99,831	44.2%	Health supplement products; honey and pollen products; personal care products	2008	30 days from month end	Retailing, a related party to a company listed on the London Stock Exchange, Singapore Exchange and Bermuda Stock Exchange	Hong Kong and Macau
Distributor B (<i>Note 2</i>) (consignment sales and other sales channels)	50,361	22.3%	Health supplement products; honey and pollen products; personal care products	2006	60 days from date of sales report	Retailing cosmetic products, a wholly owned subsidiary of a company listed on the Main Board of the Stock Exchange	Hong Kong and Macau
Distributor C (consignment sales)	11,756	5.2%	Health supplement products; honey and pollen products; personal care products	2007	30 days from month end	Retailing food, cigarette and liquor, a wholly owned subsidiary of a company listed on the Main Board of the Stock Exchange	Hong Kong
Distributor F (other sales channel)	5,001	2.2%	Health supplement products	2015	Purchase sum is paid in three instalments as stated in the agreement	Sale and distribution of medicines, health supplement, cosmetics, personal care products	Macau
Distributor D (consignment sales)	3,544	1.6%	Health supplement products; honey and pollen products; personal care products	2006	30 days from month end	Retailing, a wholly owned subsidiary of a company listed on the Main Board of the Stock Exchange	Hong Kong

Note 1: Distributor A represents a group of entities which were ultimately controlled by the same shareholder.

Note 2: Distributor B represents a group of entities which were ultimately controlled by the same shareholder.

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Top 5 distributors of the Group for the year ended 31 March 2016	Approximate total amount of sales (HK\$'000)	Approximate percentage to the total revenue of the Group (%)	Nature of product sold	Business started from	Credit terms allowed	Principal business	Permitted sales location
Distributor A (Note 1) (consignment sales)	90,899	43.1%	Health supplement products; honey and pollen products; personal care products	2008	30 days from invoice month end	Retailing, a related party to a company listed on the London Stock Exchange, Singapore Exchange and Bermuda Stock Exchange	Hong Kong and Macau
Distributor B (Note 2) (consignment sales and other sales channels)	42,833	20.3%	Health supplement products; honey and pollen products; personal care products	2006	60 days from date of sales report	Retailing cosmetic products, a wholly owned subsidiary of a company listed on the Main Board of the Stock Exchange	Hong Kong and Macau
Distributor C (consignment sales)	11,153	5.3%	Health supplement products; honey and pollen products; personal care products	2007	30 days from month end	Retailing food, cigarette and liquor, a wholly owned subsidiary of a company listed on the Main Board of the Stock Exchange	Hong Kong and Macau
Distributor G (other sales channel)	7,451	3.5%	Health supplement products; honey and pollen products	2008	25% of total amount to be paid within 30 days from invoice date 75% of total amount to be paid within 90 days	Retailing, import and export trading of ginseng and other food	Macau
Distributor H (Note 3) (other sales channel)	4,000	1.9%	Health supplement products	2016	120 days from invoice date	Wholesaling and retailing of bird's nest and health products	Hong Kong

Note 1: Distributor A represents a group of entities which were ultimately controlled by the same shareholder.

Note 2: Distributor B represents a group of entities which were ultimately controlled by the same shareholder.

Note 3: Distributor H is a sizable and reputable retailer with strong sales network of sales counters and specialty shops in Hong Kong. In view of our strong liquidity position, we offered favorable credit terms to Distributor H (new customer) to further expand our business.

Our business relationship with Distributors A and B

Our Group has maintained a long and substantial business relationship with Distributors A and B for nearly 8 years and 10 years respectively. We have entered into contracts with Distributors A and B which shall remain effective until such time that it is terminated by mutual agreement, superseded or amended by written agreement signed by both parties and by termination notice of one month to be given by the terminating party respectively. Our Directors consider that the ongoing cooperation with Distributors A and B are favourable to the business operations of our Group due to the following:

- (i) Distributor A, with one of its subsidiaries being a leading health and beauty product retail chain in Hong Kong, and Distributor B, being a leading cosmetic product retail chain in Hong Kong, the consignment store networks of which are wide and effective in Hong Kong with leading positions in terms of market shares and stores' geographic coverage in health and personal care markets. Regarding them as the two largest distributors of our Group during the Track Record Period, our Group can leverage their extensive retail chain network across Hong Kong, Macau and, to a lesser extent, the PRC, to sell our products to end customers while enhancing our brand awareness via their promotion and marketing activities.

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- (ii) During the Track Record Period, the commission rates charged by Distributors A and B ranging from 35% to 40% of the consignment sales (except the consignment stores located at the Hong Kong International Airport in view of the exclusivity where the commission rates could be up to 50%), which are in the lower range among our consignees as well as some potential consignees, including the major competitors of Distributor A and B in Hong Kong. Our consignment sales via which were relatively more profitable than our sales via other consignees of our Group.
- (iii) Based on the previous terms of agreements and business proposals offered by the major competitors of the Distributors A and B, which are of similar scales as Distributors A and B, the terms offered by Distributors A and B to our Group are considered more favourable by our Directors. None of the consignment agreements preclude us from cooperating with the competitors of Distributors A and B during the term or after the expiry of the consignment agreements, which gives us flexibility in term of expansion of our sales and distribution network.
- (iv) Considering the profitability and consumer preferences of our products and the long business relationship with our Group, Distributors A and B usually display our products at a relatively prominent spots of their consignment stores. Our promoters are also allowed to station at busy consignment stores with high pedestrian flow of customers. Our Directors confirmed that we are not required to pay for any fee for the preferential promotion/display arrangement under the relevant consignment agreements with Distributors A and B.

Based on the above, our Directors are of the view that it would be in the interest of our Group to continue the consignment sales with Distributors A and B. Our Group will seek every opportunity to further expand our sales and distribution channels with suitable distributors.

Reliance on Distributors A and B would not affect our business prospect

In the view of our Directors, it is industry practice of entering into flexible contracts with Distributors A and B which enables our Group to negotiate better commission rates than those of long-term contract and allows flexibility to both our Group and the consignees.

On the basis of consignment sales, it is noted that a pre-agreed percentage of our consignment sales will be charged as commission payment to our distributors; hence, the strong sales performance of our products in health and personal care industry is believed to be in the financial interest of Distributors A and B. Despite the fact that our Group has not entered into any long-term consignment contract with Distributors A and B, taking into account of the long-term business relationship, sales performance of our Group and the business potentials of our products and the growing recognition of the brand awareness and the image of our proprietary “澳至尊” brand, our Directors expect that we have maintained a stable and close business relationship with Distributors A and B.

Our business plans in case of termination of the consignment sales with Distributor A and B

However, if Distributors A and B terminate our consignment sales for any reason, our Group will (i) seek to enter into consignment agreements with alternative retailers having comparable operation scales and market positioning in health and personal care industry in Hong Kong with Distributors A and B; and (ii) expand our network of self-operated “澳至尊” specialty stores.

As confirmed by our Directors, we have still maintained business contacts with the major competitors of the Distributors A and B, which are of similar scales as Distributors A and B, for future opportunities. If our Group is unable to maintain the business relationship with Distributors A and B, we will consider negotiating consignment sales arrangements with other retailers (including the major

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competitors of Distributors A and B). We expect the lead-time from entering into the new consignment agreements up to the shelves and sales counters of our consignment stores to be around one to two months, which has taken into account of our experience of negotiation with other consignees.

Apart from negotiating with new consignees as the alternatives to Distributors A and B, our Group would be able to accelerate the pace of expansion of our self-operated “澳至尊” specialty stores. Taking consideration of the commission expense of our Group paid to Distributors A and B for the year ended 31 March 2016, our Group would be able to set up and maintain the operations of more than 40 self-operating specialty stores across Hong Kong and Macau.

SENSITIVITY ANALYSIS

During the Track Record Period, our major cost to our sales consists of (i) cost of sales; and (ii) consignment expenses.

Our cost of sales mainly represents the cost of inventory. Our cost of sales varies, to a larger extent, with the amount of inventories we purchase from our brand proprietors and, to a smaller extent, the inflation of delivery charge and warehouse rental.

Our consignment expenses are paid to our consignees for shelf space and sales counters, and are determined by the sales amount of our products through the consignees. As such, our cost of sales as determined by the amount of products we source from our brand proprietors do not vary with the fluctuations of our consignment expenses.

Hypothetical fluctuations in cost of sales

	<u>+/-5%</u> HK\$'000	<u>+/-10%</u> HK\$'000	<u>+/-15%</u> HK\$'000
Changes in net profit			
For the year ended 31 March 2014	+/-33,370	+/-34,959	+/-36,548
For the year ended 31 March 2015	+/-37,720	+/-39,516	+/-41,313
For the year ended 31 March 2016	+/-32,023	+/-33,548	+/-35,073

For the three years ended 31 March 2016, our net profit amounted to approximately HK\$34.6 million, HK\$23.2 million and HK\$12.3 million, respectively. For illustrative purpose only, we would have recorded a breakeven in our gross profit if our cost of sales increased by approximately 515.0%, 528.5% and 591.3%, respectively, for the three years ended 31 March 2016.

Hypothetical fluctuations in consignment expenses

	<u>+/-5%</u> HK\$'000	<u>+/-10%</u> HK\$'000	<u>+/-15%</u> HK\$'000
Changes in net profit			
For the year ended 31 March 2014	+/-80,689	+/-84,532	+/-88,374
For the year ended 31 March 2015	+/-82,143	+/-86,054	+/-89,966
For the year ended 31 March 2016	+/-74,273	+/-77,810	+/-81,346

For illustrative purpose only, we would have recorded a breakeven in our net profit if our consignment expenses increased by approximately 45.0%, 29.6% and 17.4% for the three years ended 31 March 2016.

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The above sensitivity analysis is for illustrative purpose only. Our Directors believe that fluctuations to our cost of sales and consignment expenses will not have a material impact to our Group's financial performance as we are capable of sourcing health supplement products from alternative suppliers and we are confident that our Group could engage other consignees if the fluctuations of consignment expenses are severe.

RESEARCH AND DEVELOPMENT

As we source finished products from our product suppliers, we do not have to incur any material research and development expenses. As part of our marketing and sales operations, we gather market information on changing consumer preferences and source products and make suggestions to our suppliers on product development to ensure that our products match consumer demands.

AWARDS AND RECOGNITIONS

Our achievements over the years have been recognised by numerous awards, including the following:

<u>Award/Recognition</u>	<u>Year</u>	<u>Issuer of Award/Recognition</u>
First Accredited by the "Quality Tourism Service Scheme"	2005	Hong Kong Tourism Board
"The AustCham Austrade Business Promotion Award 2007 (Award Finalist)"	2007	The Australian Chamber of Commerce Hong Kong and Macau
"Hong Kong Brand Conscience Award"	2009	Hong Kong Institute of Marketing
"Best SME's Award 2010"	2010	The Hong Kong General Chamber of Small and Medium Business
"Family-Friendly Employer Award Scheme Family-Friendly Employer Award"	2011	Chief Secretary for Administration on behalf of the Family Council
"Partner Employer Award"	2010– 2012	Hong Kong General Chamber of Small and Medium Business
"The AustCham Austrade Business Promotion Award 2011 (Award Finalist)"	2011	The Australian Chamber of Commerce Hong Kong and Macau
"ERB Manpower Developer Award Scheme — Grand Prize Award"	2011– 2012	Employees Retraining Board
"The Hong Kong Health Care Professional's Most Preferable Brand of Dietary Supplement (Brain & Heart Series) Award 2013"	2013	Hong Kong Health Care Federation
"Consumer's Most Favorable Hong Kong Brands"	2013– 2014	China Enterprise Reputation & Credibility Association (Overseas)
"Hong Kong Top Brand Awards"	2013	Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong
"The 4th Hong Kong Outstanding Corporate Citizenship Logo (Enterprise Category)"	2014	Hong Kong Productivity Council
"Family-Friendly Employer Award Scheme Family-Friendly Employer Award"	2014	Chief Secretary for Administration on behalf of the Family Council
"The Hong Kong Health Care Professional's Most Trusted Natural Health Food Brand Award"	2014– 2015	Hong Kong Health Care Federation

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EMPLOYEES

We have a total of 179 employees as at the Latest Practicable Date, of which 163 are in Hong Kong. Sets forth below is a breakdown of the number of our employees by functions as at the Latest Practicable Date:

Number of employees

	<u>Hong Kong</u>	<u>Macau</u>	<u>Total</u>
Sales and marketing	135	16	151
Finance	7	—	7
Warehouse and logistics	8	—	8
Administration and human resources	6	—	6
Business development	1	—	1
Operation	6	—	6
	<u>163</u>	<u>16</u>	<u>179</u>

Employee Training

We believe our employees are the most valuable resources to achieve our success. To ensure the quality of our employees at all levels, we have a standardised in-house training programme to train our new joiners, mainly focusing on company introduction and working procedure.

We provide our employees with an array of training and courses on various aspects of our business operation depending on their responsibilities and experience. We believe that such training helps us to build an experienced, loyal and focused workforce.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Our business is subject to certain health, work safety, social and environmental laws and regulations. Our operation department monitors compliance with legal requirements and our internal standards in respect of such matters. Our Directors consider that the annual cost of compliance with the applicable health, work safety, social and environmental laws and regulations was not material during the Track Record Period and the cost of such compliance is not expected to be material going forward.

We have not been subject to any material claim 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 Hong Kong, Macau, PRC and Singapore laws and regulations in all material aspects during the Track Record Period.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have registered our material trade marks in Hong Kong, Macau, PRC, Singapore and Australia. We operated our specialty store network principally under the Chinese trade name of “澳至尊”. In order to distinguish our brand from that of “Organic Nature”, we decided to adopt “Ausupreme” as the English name of our company and sales network. As at the Latest Practicable Date, our Group has 12 registered trademarks in Hong Kong, six registered trademarks in each of Macau and the PRC, three registered trademarks in each of Australia, Singapore, Malaysia and Taiwan, and one registered trademark in each of Japan, New Zealand and South Korea. Our Group had also submitted three applications for trademark registration in each of Hong Kong and the PRC and two applications in other overseas countries. For details of our intellectual property rights, please refer to the paragraph headed “B. Further information about our Business — 2. Intellectual property rights” in Appendix IV to this prospectus.

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To the best of our Directors' knowledge and belief, during the Track Record Period, there were no material instance of infringement of intellectual property rights or disputes between our Group, our customers and other third parties in respect of intellectual property rights.

INSURANCE

Our Directors consider our insurance coverage to be customary for businesses of our size and type and in line with the standard industry practice in the jurisdictions where we have operations. We primarily maintain insurance for employee's compensation for injuries or death in the course of employment, business insurance, public liability insurance and brand spokesperson insurance, motor vehicle insurance, shop insurance, office insurance, accidental damage (property) insurance.

NON-COMPLIANCE MATTERS

1. Non-compliance of the UMAO

Nature and extent of the non-compliance	Reason of the non-compliance	Potential legal consequence and maximum penalty	Actual operational and financial impact on our Group	Remedial actions taken	Internal control measures enhanced to prevent recurrence of the non-compliance												
<p>During the Track Record Period, our Group had received a total of two warning letters from the Department of Health of the Hong Kong Government notifying that certain advertisements of our Group's products might contravene sections 3 and/or 3B of the UMAO due to certain restricted words being used. Details of the warning letters are set out as follows:</p> <table border="1" data-bbox="539 1289 900 1936"> <thead> <tr> <th data-bbox="555 1804 592 1936">Date of warning letter</th> <th data-bbox="571 1619 592 1761">Product name</th> <th data-bbox="539 1449 592 1598">Advertisement or packaging involved</th> <th data-bbox="571 1289 592 1438">Relevant laws</th> </tr> </thead> <tbody> <tr> <td data-bbox="608 1838 628 1936">11 July 2014</td> <td data-bbox="608 1634 644 1761">Omega-3 1000 Natural Fish Oil</td> <td data-bbox="608 1449 719 1598">Advertisement published on the magazine Eastweek (volume 566 dated 2 July 2014)</td> <td data-bbox="608 1289 756 1438">Section 3 and/or 3B of the UMAO — Schedule 4 items 5 (regulation of blood pressure) and 6 (regulation of blood lipids or cholesterol)</td> </tr> <tr> <td data-bbox="772 1789 793 1936">22 December 2014</td> <td data-bbox="772 1634 809 1761">Omega-3 1000 Natural Fish Oil</td> <td data-bbox="772 1449 900 1598">Advertisement published on the magazine TVB Weekly in December 2014 (volume 911 dated 8 December 2014)</td> <td data-bbox="772 1289 884 1438">Section 3 and/or 3B of the UMAO — Schedule 4 items 6 (regulation of blood lipids or cholesterol)</td> </tr> </tbody> </table>	Date of warning letter	Product name	Advertisement or packaging involved	Relevant laws	11 July 2014	Omega-3 1000 Natural Fish Oil	Advertisement published on the magazine Eastweek (volume 566 dated 2 July 2014)	Section 3 and/or 3B of the UMAO — Schedule 4 items 5 (regulation of blood pressure) and 6 (regulation of blood lipids or cholesterol)	22 December 2014	Omega-3 1000 Natural Fish Oil	Advertisement published on the magazine TVB Weekly in December 2014 (volume 911 dated 8 December 2014)	Section 3 and/or 3B of the UMAO — Schedule 4 items 6 (regulation of blood lipids or cholesterol)	<p>The advertisements were published mainly because of (i) the inadvertent overlook of our marketing staff; and (ii) the communication misunderstanding between the respective media and our staff, who inadvertently overlooked the wordings in question when proofreading the draft advertisements but mistakenly relied on the media for final decision. At the same time, the respective media misunderstood that our staff had approved the related advertisements and published the same accordingly.</p>	<p>Any person who contravenes sections 3, 3B or 4 of the UMAO shall be guilty of an offence and shall be liable upon a first conviction to a fine of HK\$50,000 and imprisonment for 6 months and upon a second or subsequent conviction to a fine of HK\$100,000 and imprisonment for 1 year.</p>	<p>No charge had been laid against and no penalty had been imposed to our Group in respect of any suspected non-compliance to the UMAO during the Track Record Period and up to the Latest Practicable Date. As advised by our Hong Kong Legal Counsel, the chance of the Department of Health in pressing charge is slim for both historical and current packaging and/or inserts of products. Upon compliance with the warning letters from Department of Health, usually no charge will be laid. Based on the fact that (i) our Group has either complied with the warning letters or discontinued the relevant packaging; (ii) a long time had lapsed and no charge had been laid by the Department of Health on our Group for such warning letters; and (iii) the policy of the Department of Health is that no charge will be laid under such circumstances, our Hong Kong Legal Counsel advised it is extremely remote that our Group has to pay the maximum penalty (i.e. HK\$200,000) arising from the two warning letters. As such, no provision has to be made.</p>	<p>Our Group followed the suggestions in the warning letters and revised the wording of the advertisements. Save as the warning letters dated 11 July 2014 and 22 December 2014, our Group had not received any warning letter from the Department of Health in relation to its advertisements and packaging under the UMAO during the Track Record Period and up to the Latest Practicable Date. Further, we have engaged our Hong Kong Legal Counsel to review our marketing, packaging and training materials in March 2015. We have implemented his recommendations accordingly by August 2015.</p>	<p>Save for any amount which have been provided for in the audited combined accounts of our Group as set out in Appendix I to this prospectus and subject to the terms and conditions contained therein, our Controlling Shareholders have given joint and several indemnities to our Company pursuant to the Deed of Indemnity in respect of any tax liability or penalty arising from such incident if it is later found as a non-compliant incident.</p>
Date of warning letter	Product name	Advertisement or packaging involved	Relevant laws														
11 July 2014	Omega-3 1000 Natural Fish Oil	Advertisement published on the magazine Eastweek (volume 566 dated 2 July 2014)	Section 3 and/or 3B of the UMAO — Schedule 4 items 5 (regulation of blood pressure) and 6 (regulation of blood lipids or cholesterol)														
22 December 2014	Omega-3 1000 Natural Fish Oil	Advertisement published on the magazine TVB Weekly in December 2014 (volume 911 dated 8 December 2014)	Section 3 and/or 3B of the UMAO — Schedule 4 items 6 (regulation of blood lipids or cholesterol)														

2. Non-compliance arising from late and inaccurate tax filings under the IRO

Nature and extent of the non-compliance	Reason of the non-compliance	Potential legal consequence and maximum penalty	Actual operational and financial impact on our Group	Remedial actions taken	Internal control measures enhanced to prevent recurrence of the non-compliance
<p>During the audit process for our Group, our incumbent auditors and our Financial Controller discovered certain incidents of breaches of the IRO by Truth & Faith (Hong Kong) regarding (i) incorrect returns submitted by our previous auditors which understated the assessable profits of the years of assessment 2010/11, 2011/12 and 2012/13; and (ii) late filing of the returns for the years of assessment 2013/14 and 2014/15. Miracle Natural was also found late for filing the returns for the year of assessment 2014/15.</p> <p>Please refer to the paragraph headed "Background of (i) incorrect tax returns which understated the assessable profits of the years of assessment 2010/11, 2011/12 and 2012/13; and (ii) late filing of the returns for the years of assessment 2013/14 and 2014/15" below for further details.</p>	<p>The non-compliance was due to (i) the inadvertent mistakes and omissions of the then auditors of Truth & Faith (Hong Kong); (ii) inadvertent overlook of the relevant requirements by our staff who were responsible for tax filing matters; and (iii) lack of proper system and control to keep track of our compliance status.</p>	<p>Under section 80(2) of the IRO, any person who without reasonable excuse makes an incorrect return by omitting or understating anything in respect of which he is required by the IRO to make a return, or fails to comply with the requirements of a notice given to him to file a return within the stipulated time, commits an offence. The maximum penalty is a fine at HK\$10,000 and a further fine of treble the amount of tax which has been undercharged in consequence of such incorrect return or, in consequence of the failure to file a return.</p> <p>In respect of the offence created by section 80(2) of the IRO, if no prosecution has been instituted, the IRD has the discretion under section 82A of the IRO to impose an additional tax of not exceeding treble the amount of tax which has been undercharged in consequence of the incorrect return or failure to file a return.</p>	<p>Our Group has obtained legal advice from Counsel Dixon Co. in respect of such non-compliance issue as follows:</p> <p>(i) Given our Group did not wilfully evade tax and that additional tax has been assessed and paid, prosecution against our Group is unlikely.</p> <p>(ii) The IRO is already fully aware of the facts underlying such non-compliance. It has already made additional assessments in respect of the years of assessment 2010/11, 2011/12 and 2012/13 (omission and mistake cases). The tax payable under the said additional assessment(s) has already been paid. There had been no mention whatsoever of any intention to impose additional tax under section 82A of the IRO and no notice of such intention has been served on our Group. In light of these circumstances, the likelihood of the IRD imposing additional tax under section 82A against Truth & Faith (Hong Kong) is low.</p> <p>(iii) The IRD has made additional tax assessment under section 82A of the IRO for the late filing of Truth & Faith (Hong Kong) in respect of the years of assessment 2013/14 and 2014/15 and such additional tax payable has been settled. For the late filing of Miracle Natural, the IRD issued a Notice of Intention to Assess Additional Tax on 31 May 2016 and the likely penalty will not be more than HK\$168,399. In any event, the risk of prosecution against our Group for such late filing is minimal.</p> <p>(iv) Given that (1) additional tax has been assessed under section 82A of the IRO and paid by our Group; and (2) the low likelihood of prosecution against our Group, these breaches are immaterial to our financial position and operation in terms of additional tax and any tax penalty imposed by the IRD.</p>	<p>Dealing with our inaccurate tax returns filed, certain prior year adjustment was carried out by our auditors in November 2014 in respect of the prior years' financial statements of Truth & Faith (Hong Kong). As a result, additional tax expense was incurred and our tax representative submitted a revised tax computation to the IRD in November 2014. The IRD had completed the assessment on the said assessed tax computation and no further comment was indicated by the IRD. Truth & Faith (Hong Kong) was charged with additional tax in the amount of HK\$3,137,400, which was fully settled by our Group on 8 April 2015. As such, no provision has to be made.</p>	<p>Our Group has formulated and adopted internal control measures to prevent recurrence of such non-compliance incident. For details, please refer to the paragraph headed "Internal Control Measures" in this section.</p>

3. Non-compliance arising from late lodgment of import or export declarations for importations into or exportations from Hong Kong under the IAE Ordinance

Nature and extent of the non-compliance	Reason of the non-compliance	Potential legal consequence and maximum penalty	Actual operational and financial impact on our Group	Remedial actions taken	Internal control measures enhanced to prevent the recurrence of the non-compliance
<p>During the Track Record Period, our Group lodged 444 import or export declarations, of which 48 were lodged beyond the prescribed time limit (i.e. within 14 days after importation or exportation) under the IAE Ordinance and the IAE Registration Regulations.</p> <p>Among those 48 late import or export declarations:</p> <p>(a) 29 were lodged within 1 month after the prescribed time limit;</p> <p>(b) 2 were lodged between 1 and 2 months after the prescribed time limit; and</p> <p>(c) 17 were lodged 2 months after the prescribed time limit.</p>	<p>The late lodgment was mainly because of the inadvertent overlook of the time requirements by our administrative staff.</p>	<p>Under Regulations 4 and 5 of the IAE Registration Regulations, every person who, being required to lodge an import or export declaration, fails or neglects, without reasonable excuse, to do so within the 14-day prescribed time limit (or where such person has such excuse but fails or neglects to lodge such declaration as soon as is practicable after the cessation of such excuse) shall be guilty of an offence and shall be liable on summary conviction to a fine of HK\$1,000 and, commencing on the day following the date of conviction, to a fine of HK\$100 in respect of every day during which his failure or neglect to lodge the declaration in that manner continues.</p> <p>Pursuant to Regulation 7 of the IAE Registration Regulations, apart from the maximum penalty liable under the said Regulations 4 or 5, our Group shall be liable to pay a penalty in respect of each failure to lodge an import or export declaration within the 14-day prescribed time limit. The penalty in respect of each failure ranges from HK\$20 to HK\$200, depending on the length of time of the late lodgment and the total value of the articles specified in the declarations.</p>	<p>The total amount of such penalties that our Group paid for each of the financial years ended 31 March 2014, 2015 and 2016 were HK\$720, HK\$1,860 and HK\$1,100 respectively, which did not and will not give rise to any material impact on the operation or financial position of our Group. All the said penalties were settled after lodgment of the respective late import or export declarations. As advised by our Hong Kong Legal Counsel, our Group would not be prosecuted since the 6-months' limitation period from the time of late lodgment had passed.</p> <p>In addition, there were 48 late lodgment of declarations, which accounted for approximately 11% of 444 import or export declarations lodged.</p> <p>After taking into consideration of the settled administrative penalties which are not material, our Directors believe that the said non-compliance incidents are immaterial, and systemic in nature, and have no material adverse operational or financial impact on our Group. As such no provision has to be made.</p>	<p>Our Group has implemented internal control measures to ensure that all import or export declarations be lodged within the prescribed 14-day time limit.</p> <p>Save for any amount which have been provided for in the audited combined accounts of our Group as set out in Appendix I to this prospectus and subject to the terms and conditions contained therein, our Controlling Shareholders have given joint and several indemnities to our Company pursuant to the Deed of Indemnity in respect of any tax liability or penalty arising from such non-compliance incident.</p>	<p>Our Group has implemented and adopted internal control measures to prevent recurrence of such non-compliance incident. For details please refer to the paragraph headed "Internal Control Measures" in this section.</p>

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Background of (i) incorrect tax returns which understated the assessable profits of the years of assessment 2010/11, 2011/12 and 2012/13; and (ii) late filing of the returns for the years of assessment 2013/14 and 2014/15

In preparation of the Listing, we have engaged a new tax representative to review our Group's overall tax position on 30 September 2014. Our tax representative had reviewed certain prior year adjustments on some inadvertent mistakes and omissions as detailed below in respect of the prior years' financial statements of Truth & Faith (Hong Kong), where additional tax expenses were incurred.

As Truth & Faith (Hong Kong) was considered to have understated the assessable profits for the years of assessment 2010/11, 2011/12 and 2012/13, a revised tax computation ("**Revised Tax Computation**") in addition to incorrect tax returns filed previously had been prepared and submitted by our new tax representative in November 2014 to the IRD. The IRD made additional profit tax assessment based on updated information submitted for the tax undercharged and no further comment was indicated. The revised tax amount was duly paid within the stipulated time limit on 8 April 2015.

For the years of assessment of 2010/11, 2011/12 and 2012/13, as a result of (i) the inadvertent mistakes and omissions of our then auditors of Truth & Faith (Hong Kong); (ii) inadvertent overlook of the relevant requirements by our relevant staff who had been responsible for our tax filing matters; (iii) lack of proper system and control to keep track of our compliance status; and (iv) failure to seek proper tax advice from external advisors, the prior year adjustments with respect to the misstatements in tax returns discovered by our incumbent auditor and our incumbent Financial Controller were carried out as follows:

- (i) In response to an incorrect judgment of the cut-off of a consignment sales by our staff in finance department and our then auditor for the year ended 31 March 2011, recognition of the revenue derived from consignment sales of approximately HK\$9.6 million which was revised upon a prior year adjustment in the annual report for the year ended 31 March 2011 was omitted in the tax computation for year of assessment 2010/11;
- (ii) In response to the miscategorisation of a taxable income derived from consignment sales as non-taxable income by our then tax representatives, an understatement of taxable income of approximately HK\$2.4 million was acknowledged in the tax computation for year of assessment 2011/12;
- (iii) Due to the lack of proper accounting system and internal control procedures in our finance department for the then relevant period, resulting from a misapplication of an incorrect unit cost in the closing balance of inventory purchase among intergroup transactions not being spotted by our then auditor for the year ended 31 March 2013, an understatement of taxable income of approximately HK\$4.5 million was acknowledged in the tax computation for year of assessment 2012/13;
- (iv) Due to the lack of proper accounting system and internal control procedures in our finance department for the then relevant period, resulting from a misapplication of an inaccurate exchange rate on a time deposit in RMB for the year ended 31 March 2013 which was not spotted by our then auditor for the year ended 31 March 2013, an understatement of the relevant exchange gain for the amount of approximately HK\$2.4 million was acknowledged in the tax computation for year of assessment 2012/13.

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The taxable profits understated and the additional tax amount paid as a result of the above are summarised as follows:

<u>Year of Assessment</u>	<u>Taxable Profits Understated</u> (HK\$'000)	<u>Additional tax amount paid</u> (HK\$'000)
2010/11	9,610	1,585
2011/12	2,447	404
2012/13	6,958	1,148

The late filing of the tax return in respect of the years of assessment 2013/14 and 2014/15 by the Company was the result of (i) the change of tax representative who was only appointed on 30 September 2014; and (ii) extra time was required to clarify those prior year adjustments mentioned above and to prepare the Revised Tax Completion that affected a total of three years of assessment; and (iii) extra time to concur the tax amount in the annual reports with our incumbent auditors. Such circumstances had impacted the ability of our Group to file its tax return within the stipulated time limit.

Our Directors consider that the abovementioned non-compliance incidents did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors and senior management of our Group.

Counsel Dixon Co advised our Group that the likelihood of prosecution and additional tax being imposed due to the above breaches are low, given that: (i) the omission or mistake was due to inadvertent mistake rather than recklessness or willful intention to evade tax as demonstrated by our Group's full voluntary disclosures without any field audit or investigation by the IRD; and (ii) the IRD is already fully aware of the facts underlying such non-compliance; and (iii) our Group has already paid the tax arising from the additional assessments made by the IRD. There had been no mention whatsoever of any intention to impose additional tax under section 82A of the IRO and no notice of such intention has been served on our Group.

With respect to the late filing of the return of Truth & Faith (Hong Kong) for the year of assessment 2014/15, IRD has issued a demand notice to Truth & Faith (Hong Kong) upon a written representation submitted previously. A demand of additional tax by way of penalty with amount of HK\$100,000 under Section 82A of the IRO was imposed to Truth & Faith (Hong Kong) on 19 May 2016 and was paid on 24 May 2016. With respect to the late filing of return of Miracle Natural for the year of assessment 2014/15, the IRD issued a Notice of Intention to Assess Additional Tax on 31 May 2016. As advised by Counsel Dixon Co, the likely penalty will not be more than HK\$168,399. In any event, our Group is advised that the risk of prosecution for our late filing of the tax returns is minimal.

Given that the additional tax amount paid for the three years ended 31 March 2016 has already been reflected in the Accountants' Report, and based on the above opinion of Counsel Dixon Co that the likelihood of the additional financial impact to the Group in terms of additional tax and any tax penalty imposed by IRD under 82A against our Group is low, our Reporting Accountants are of the view no non-compliance disclosures, provision and contingent liabilities arising from the late and inaccurate tax filing under IRO should be reflected in the Accountants' Report.

INTERNAL CONTROL MEASURES

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

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In order to manage our external and internal risks and to ensure the smooth operation of our business, we have engaged an independent internal control reviewer (the “**Internal Control Reviewer**”) in March 2015 to assist our Group to review our internal control system and provide recommendations for improving our internal control system. The Internal Control Reviewer has conducted certain agreed-upon review procedures and concluded no material finding on our internal control system in certain aspects, including revenue, purchases, fixed assets management, human resources, financial reporting and information technology.

In particular, in order to prevent recurrence of the non-compliance incidents mentioned in the paragraph headed “Non-compliance Matters” of this section, the following internal control measures have been adopted:

Internal control measures for advertising and labeling

Our Group has adopted compliance guidelines to provide specific guidance to the staff on product labeling and advertisements in ensuring compliance with relevant laws and regulations, namely the UMAO, the Trade Marks Ordinance and the Import and Export Ordinance, inter alia;

- After receiving the warning letters from the Department of Health, our Group has established a compliance team to review all of our marketing materials to ensure compliance with the relevant requirements under the laws in Hong Kong;
- Our compliance team consists of two nutritionists (who previously were not the required reviewers to all of our marketing material) and two staff from the sales and marketing department. The marketing materials must be approved by the compliance team, marketing manager and operation manager before they are published;
- Our management team will ensure our compliance team is equipped with personnel having sufficient experience and knowledge on food labelling and advertising to facilitate the due compliance of the related regulations;
- Our Directors and management team have attended training session in which they were given an overview on the applicable laws and regulations on advertisement laws in Hong Kong. We will arrange various trainings to be provided by appropriate accredited institution to reinforce our Directors’ and management team’s awareness on applicable Hong Kong laws and regulations, especially in respect of the UMAO.

Internal control measures for tax filing

- Our finance department which will be responsible for tax computation will ensure the completeness and accuracy of tax filing process of each of the entities in our Group and recording any tax provision. Before the filing of any tax return, it will be reviewed and approved by our Company Secretary and Financial Controller, Ms. Tang Wing Shan. For further details regarding the experience and qualification of Ms. Tang, please refer to the section headed “Directors and Senior Management — Senior Management” in this prospectus;
- Our finance department will also be responsible for deferred tax assessment every half year and recording any tax provision accordingly. The deferred tax assessment will be reviewed and approved by our chief financial officer;

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- Our management will ensure our finance department is equipped with personnel having sufficient experience and knowledge on tax issue and tax filing, to facilitate the efficiency and accuracy of the handling of tax computation and tax return;
- Our Directors have attended training session in which they were given an overview on the applicable laws and regulations including financial and accounting matters in Hong Kong. We will continue to arrange various trainings to be provided by external legal adviser and/or other appropriate accredited institution, to reinforce our Directors' awareness on applicable Hong Kong laws, PRC laws, Macau laws, especially in respect of the tax obligation that may arise during the course of business of our Group;
- Our Group has engaged a tax expert to perform review on our operating structure and overall tax position (including tax compliance in all relevant jurisdictions) as well as to regularly review our tax filing. Our Group will also obtain their tax advice if we are in doubt of any tax issue;
- Our Group will appoint a responsible person with sufficient experience and knowledge as tax representative to handle any tax queries from the IRD. Depending on the complexity of the issues or the queries, we will seek advice from our tax expert to assist the handling of the matter;
- Our finance department is responsible for handling all tax related matters of our Group and will regularly report to our audit committee on our compliance with tax laws and regulations;
- Our Audit Committee will oversee the financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations;
- Auditors will be engaged to ensure that our results give a true and fair view of the financial position of our Group; and
- Copies of tax returns and reply to tax queries will be kept by our finance department and only authorised person can assess the files.

Internal control measures for import and export declarations and regulations

Our Group has adopted compliance guidelines to provide specific guidance to the staff on import and export declarations and registration in ensuring compliance with relevant laws and regulations, namely the IAE Registration Regulations and the Import and Export Ordinance, inter alia.

- Our finance department has appointed a responsible person with sufficient experience and knowledge as a representative to handle the import or export declarations for each transaction and register with the Commissioner of the Customs and Excise immediately to avoid late lodgment. Our Group will also appoint a warehouse manager to take up the dairy operations in the warehouse and logistics department and assist the filing of import and export declarations. The financial controller will be responsible to review the status of the declarations and registrations and the declarations and registrations filed on a weekly basis to ensure the compliance of the relevant laws and regulations.

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- Our management team will ensure our finance department is equipped with personnel having sufficient experience and knowledge on import and export declarations and regulations, to facilitate the efficiency and accuracy of the handling of import and export declarations and regulations; and
- Our management and finance team have attended training session in which they were given an overview on the applicable laws and regulations on import and export declarations and regulations in Hong Kong. We will arrange various trainings to be provided by appropriate accredited institution to reinforce our management team's awareness on applicable Hong Kong laws, especially in respect of the IAE Ordinance and IAE Registration Regulations.

Directors' and Sponsor's view

After due consideration, our Directors are of the view, and the Sponsor concurs, that the various internal control measures adopted by our Group are adequate and effective to avoid recurrence of the non-compliance incidents.

The Sponsor considers that the abovementioned non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules, nor the suitability for Listing of our Company under Rules 8.04 of the Listing Rules. In arriving at their view, the Sponsor has taken into consideration the followings:

1. The non-compliance incidents were not willful and principally due to inadequate understanding of the regulatory requirements possessed by the relevant staff and incomprehensive internal control measures of the Group, which did not involve intentional misconduct, fraud, dishonesty or corruption of the part of the Directors;
2. The non-compliance incidents were not caused by the Directors' lack of experience or integrity in managing the business operations of the Group;
3. The Directors have taken actions to rectify the non-compliance incidents to the extent practicable and strengthen our internal control system to prevent recurrence of the non-compliance incidents immediately after being informed of the non-compliance incidents;
4. Save as disclosed under the section headed "Business — Non-compliance matters", the Group has complied with the relevant applicable laws and regulations regarding the non-compliance incidents since its establishment.

Credit Control

Our distributors consist mostly of our consignees, individual and chain retails, online shopping platform in China and our distributor in Singapore and are offered credit terms generally ranging from 30 to 120 days. Our finance department reviews the credit terms for each existing and prospective corporate customer. The settlement and credit terms granted to distributors are determined with reference to, among other things, (i) the length of the business relationship with us; (ii) the payment history of the customer; and (iii) the financial strength and creditability of the customer.

For sales of our products directly to end customers at specialty stores, exhibitions and online shop, our Group receives full payment for the products immediately by means of cash and credit card when the products are sold.

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Corporate Governance

We continuously strive to strengthen the role of our Board as a body responsible for decision-making concerning our fundamental policies and upper-level management issues, and supervising the execution of our operation. Our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge.

We have established the Audit Committee which comprises three independent non-executive Directors to review and monitor the effectiveness of our financial controls, internal control and risk management systems. We intend to engage internal control consultant to review our internal control system on an annual basis to ensure that effective internal control procedures are in place.

For internal control measures adopted in relation to our non-compliance during the Track Record Period, please refer to the paragraph headed “Internal Control Measures” in this section.

LITIGATION

From time to time we have been, and may in the future be occasionally, involved in legal proceedings or disputes in the ordinary course of business that are common for our industry, including contractual disputes with our customers. During the Track Record Period, our Group encountered six court cases in Guangzhou in the first quarter of 2015, two of which were about product liability dispute and four were about dispute on sale and purchase agreement with our customers.

Regarding the two product liability court cases, the claimants alleged that the major ingredient in our “Top Life” squalene products should be regarded as fish liver oil (which should be categorised as medicine under PRC pharmacopoeia). The claimants alleged that, pursuant to Regulations on Food Safety Law of the PRC (中華人民共和國食品安全法), our squalene products should be subject to the regulation of health food products (保健食品), rather than sold as ordinary food.

Our “Top Life” squalene products sold in the PRC were supplied by a PRC subsidiary of Homart, which was responsible for the legal compliance of the importation of our products under PRC laws and regulations at the material time. The Certificate of Analysis provided by Homart showed that its squalene products complied with the corresponding product specification and TGA standards. Furthermore, our management had reviewed the concerned Sanitary Certificate (衛生證書) issued by PRC Entry-exit Inspection and Quarantine (中華人民共和國出入境檢驗檢疫), which confirmed that the relevant “Top Life” imported products had been inspected and in compliance with the relevant PRC food safety requirements and were therefore permitted for sale in the PRC.

During the Track Record Period, we only sold our “Top Life” products as ordinary food and had not claimed any of them with health food function (保健功能). None of our products had been regarded as health food by competent PRC supervisory authority. Our PRC legal advisers are of the view that our Group had complied with the necessary PRC regulations on importing food and our products should be permitted for sale in the PRC.

As advised by our PRC legal adviser, and after careful consideration of the cause of action of the two product liability cases, our Directors believed that the legal grounds raised by the claimants were relatively weak and it would be likely for our Group to successfully defend the two product liability court cases. However, taking into account of (i) our Group’s unfamiliarity with the rapidly changing PRC laws and regulations (in particular the laws on the scope of health food products (保健食品)); (ii) the

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estimated time involved in the litigation; and (iii) the relatively high legal costs to be incurred, our Directors considered that it would be more cost-efficient and time-saving to conclude the two cases by settlement or mediation rather than contesting in the court.

The aggregate settlement amount for the year ended 31 March 2015 was HK\$0.6 million (with the two product liability court cases be settled in the sum of HK\$0.1 million and HK\$0.2 million respectively). Our Group had once requested Homart to handle the two court cases. However, Homart recognised that the cause of actions of the two court cases did not involve any claim or challenge against the quality of our squalene products and hence refused to take over the cases. Our Directors, after perusing the relevant supply agreement with Homart and the terms of Homart's product liability insurance at the material time, shared the same view with Homart that the issue of the two cases was not about any alleged personal injury arising out of the consumption of our "Top Life" squalene products. We considered that the claimants of the two product liability court cases mainly disputed on the scope and interpretation of health food products (保健食品) and it would be difficult for our Group to claim against Homart for compensation by reason of defective quality of the "Top Life" squalene products.

Since our Directors were of the view that no quality or safety issue had arisen from the two court cases in respect of our "Top Life" squalene products, we have not ceased the sale of those products in the markets where our Group operates during the Track Record Period. For the three years ended 31 March 2016, the sales revenue of "Top Life" squalene amounts to approximately HK\$32,000, HK\$16,000 and nil respectively.

As confirmed by our PRC legal adviser, the company involved in these court cases, i.e. Truth & Faith (Shenzhen), had been duly dissolved in accordance with PRC laws in May 2015. Upon the due cessation of the legal entity of Truth & Faith (Shenzhen), no further liability is attributable to our Group in relation to the said court cases.

Our Group paid HK\$1.4 million for settlement of the six court cases and other disputes with our customers for the year ended 31 March 2015. As at the Latest Practicable Date, we were not involved in any litigation or arbitration proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material adverse effect on our business, financial condition or results of operations.

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PROPERTY

As at the Latest Practicable Date, our Group occupied the following premises either under tenancy agreement or licence agreement:

Location	Period	Use
Tenancy agreement		
Hong Kong		
Office E on 28th Floor EGL Tower 83 Hung To Road Kwun Tong Kowloon	17 February 2014 to 16 February 2017	Office
Unit C on 3rd Floor King Win Factory Building Nos. 65–67 King Yip Street Kowloon (Note 1)	1 July 2014 to 30 June 2016 1 July 2016 to 30 June 2018	Warehouse
Unit F on 11th Floor King Win Factory Building Nos. 65–67 King Yip Street Kowloon	27 November 2015 to 26 November 2017	Storage
Shop No. 34 Level 3, Shatin Plaza No.21–27 Sha Tin Centre Street Sha Tin New Territories.	28 May 2014 to 27 May 2016, 28 May 2016 to 27 May 2019	Specialty Store
Shop No. 330C Level 3, Plaza Hollywood Diamond Hill Kowloon	7 October 2015 to 6 October 2017	Specialty Store
2/F 2106, Floor 2 Tuen Mun Town Plaza (I) 1 Tuen Shing Street Tuen Mun New Territories.	1 April 2016 to 31 March 2019	Specialty Store
Macau		
Rua de Pedro Nolasco da Silva no.3–13, 1/F, Room U Macau	1 March 2016 to 28 February 2018	Specialty Store
MTR licence agreement		
Hong Kong		
Shop TST 09 at Tsim Sha Tsui Station	1 September 2015 to 31 August 2018	Specialty Store
Shop MOK 23 at Mong Kok Station	10 January 2016 to 9 January 2018	Specialty Store
Shop CABE9 at Causeway Bay Station	7 January 2014 to 6 January 2017, 7 January 2017 to 6 January 2019	Specialty Store
Shop HOK 38 at Hong Kong Station	26 February 2014 to 25 February 2017	Specialty Store

BUSINESS

<u>Location</u>	<u>Period</u>	<u>Use</u>
Shop KOB 9B at Kowloon Bay Station	12 July 2013 to 11 July 2016, 12 July 2016 to 11 July 2018	Specialty Store
Shop TSW 13 at Tsuen Wan Station	26 September 2013 to 25 September 2016, 26 September 2016 to 25 September 2018	Specialty Store
Shop TUC 02 at Tung Chung Station (<i>Note 2</i>)	1 November 2013 to 31 October 2016	Specialty Store
Shop KOT 3 at Kowloon Tong Station	23 August 2014 to 22 August 2017	Specialty Store
Shop SHT 25 at Shatin Station	29 August 2014 to 28 August 2017	Specialty Store

Note 1: The landlord, Prof Kiu, is a company wholly owned by Mr. Choy and Mrs. Choy, which is therefore a connected person to our Group under the Listing Rules. For details of the tenancy agreement, please refer to the section headed “Continuing Connected Transactions — Exempted Continuing Connected Transaction” in this prospectus.

Note 2: As at the Latest Practicable Date, our Directors have not been approached by MTR with regard to the renewal of the lease agreement of Shop TUC.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised at all and without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options to be granted under the Share Option Scheme), Mr. Choy and Mrs. Choy (who are a group of our Controlling Shareholders) are entitled to control (via Beatitudes) the exercise of the voting rights of 75% of the Shares eligible to vote in the general meeting of our Company.

Save as disclosed in the paragraph immediately above, there is no other person who will, immediately following the completion of the Global Offering (without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options to be granted under the Share Option Scheme), 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.

Each of Mr. Choy, Mrs. Choy and Beatitudes confirms that he/she/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES

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

- (i) Financial independence: Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. During the Track Record Period, our Group relies principally on cash generated from operations to carry on its business and this is expected to continue after the Listing.

As at Latest Practicable Date, the trade related and non-trade related amounts due to or from our Controlling Shareholders, or companies controlled by him/she/it had been fully settled and all guarantees provided to us by the Controlling Shareholders and their associates will be released upon Listing.

- (ii) Operational independence: We have established our own organisational structure comprising individual departments, each with specific area of responsibilities. Our Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their associates. Save as disclosed in the section "Continuing Connected Transaction" of this prospectus, no services, premises and facilities will be provided by the Controlling Shareholders and/or their associates to our Group. Our Group is able to operate independently from the Controlling Shareholders after the Listing.
- (iii) Independence of management: Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

Group has an independent management team, which is led by a team of senior managers with substantial experience and expertise in our business, to implement our Group's policies and strategies.

Our Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. Mr. Choy and Mrs. Choy, our Controlling Shareholders, are executive Directors.

Each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum.

RULE 8.10 OF THE LISTING RULES

The Controlling Shareholders and our Directors 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 under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

In order to avoid any possible future competition between our Group and each of Mr. Choy, Mrs. Choy and Beatitudes (the "**Covenantors**"), the Covenantors have executed the Deed of Non-competition in favour of us (for ourselves and for the benefit of each member of our Group). Pursuant to the Deed of Non-competition, during the period that the Deed of Non-competition remains effective, each of the Covenantors irrevocably and unconditionally undertakes with us (for ourselves and for the benefit of each member of our Group) that he/she/it shall not, and shall procure his/her/its associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Where business opportunities which may compete with the business of our Group arise, the relevant Covenantor(s) shall, and shall procure his/her/its associates to, give us notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Director(s) (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interests or potential conflict of interests (including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal).

Our Board will establish a committee comprising all the independent non-executive Directors which will be delegated with the authority to review on an annual basis the above undertakings from the Covenantors. The Covenantors also undertake to provide all information necessary for the enforcement of the Deed of Non-competition as requested by the committee from time to time.

The undertakings mentioned above are conditional upon the fulfilment of the conditions stated in the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus. If any of such conditions is not fulfilled on or before the date falling 30 days after the

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

date of this prospectus, the Deed of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the others under the Deed of Non-competition.

The Deed of Non-competition shall terminate on the earliest of the date on which (i) a Covenantor, whether individually or taken together with his/her/its associate, ceases to hold in aggregate 30 per cent. or more of the entire issued share capital of our Company or otherwise ceases to be a controlling shareholder (as defined under the Listing Rules) of our Company; or (ii) the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

To further safeguard the interests of our Shareholders, we will adopt the following corporate governance measures to manage any potential conflicts of interest:

- (i) the Articles provide that except for a few exceptions set out in Note 1 to Appendix 3 of the Listing Rules (in relation to paragraph 4(1) of the same appendix only), a Director shall absent himself from participating in Board meetings (nor shall he be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested unless a majority of the independent non-executive Directors expressly require him to attend;
- (ii) our independent non-executive Directors will review on an annual basis the compliance with the Deed of Non-competition by the Covenantors;
- (iii) the Covenantors undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (iv) we will disclose in the “corporate governance report” section of our subsequent annual reports on how the Deed of Non-competition has been complied with;
- (v) we will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance of the Deed of Non-competition by the Covenantors, including why business opportunities referred by the Controlling Shareholder(s) were not taken up, in our subsequent annual reports; and
- (vi) the Covenantors will make an annual statement on compliance with the Deed of Non-competition in our subsequent annual reports.

Further, any transaction that is proposed between our Group and the Covenantors and/or their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders’ approval requirements.

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

CONTINUING CONNECTED TRANSACTION

During the Track Record Period, our Group entered into a number of related party transactions, details of which are set out in note 23 to the accountants' report set out in Appendix I to this prospectus. Our Directors have confirmed that these related party transactions were conducted in the ordinary course of business. Save as described below, these related party transactions have discontinued before the Latest Practicable Date.

Following the Listing, the following transaction will continue between our Group and the relevant connected person, which will constitute continuing connected transaction under the Listing Rules.

EXEMPTED CONTINUING CONNECTED TRANSACTION

Tenancy Agreement

Truth & Faith (Hong Kong) and Prof Kiu entered into a tenancy agreement (the "Tenancy Agreement"), details of which are set out below:

Date of agreement	:	16 July 2014, renewed on 14 June 2016
Parties	:	Prof Kiu as landlord and Truth & Faith (Hong Kong) as tenant
Premises	:	Unit C, 3/F., King Win Factory Building, Nos. 65–67 King Yip Street, Kowloon, Hong Kong
Term	:	Two years commencing on 1 July 2014 and expiring on 30 June 2016 (both days inclusive), renewed for a further term of 2 years commencing on 1 July 2016 and expiring on 30 June 2018 (both days inclusive)
Rental and payment terms	:	HK\$30,000 (for the period from 1 July 2014 to 30 June 2016) or HK\$50,000 (for the period from 1 July 2016 to 30 June 2018) per month payable in advance on the first day of each and every calendar month during the Term
Renewal	:	Upon expiry of the Term, (i) the Tenant shall give not less than one month's prior written notice to the Landlord informing if it intends to renew the lease; and (ii) the Landlord shall give not less than one month's prior written notice to the Tenant informing if it intends to resume the property
Miscellaneous terms	:	The rental is inclusive of rates, Government rent, management charges and utilities charges

The reason for entering into the Tenancy Agreement was that we have been using the premises for storage for many years and any relocation will cause unnecessary costs and disruption of our business operation.

Connected Persons

Prof Kiu is wholly-owned by Mr. Choy and Mrs. Choy, the Controlling Shareholders and executive Directors of the Company. Therefore, Prof Kiu is our connected person under the Listing Rules.

CONTINUING CONNECTED TRANSACTION

Implications under the Listing Rules

Given that each of Mr. Choy and Mrs. Choy is an executive Director, and they are collectively our Controlling Shareholders, and that the Tenancy Agreement was entered into by our Group on the one hand, and a company ultimately and beneficially owned as to 100% by Mr. Choy and Mrs. Choy on the other hand, the Tenancy Agreement constitutes a continuing connected transaction of our Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratio calculated with reference to the maximum aggregate annual rental payable by our Group to Mr. Choy and Mrs. Choy under the Tenancy Agreement for each of the three years ending 31 March 2019 exceeds 0.1% but is less than 5%, and the aggregate annual rental payable by our Group under the Tenancy Agreement is less than HK\$3,000,000. Therefore, upon Listing, the transactions contemplated under the Tenancy Agreement constitute *de minimis* continuing connected transactions for our Company pursuant to Rule 14A.76(1) of the Listing Rules, which will be fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Historical transaction amounts

The aggregate amounts of rent paid by our Group under the Tenancy Agreement for the three years ended 31 March 2014, 2015 and 2016 amounted to approximately HK\$0.4 million, HK\$0.4 million and HK\$0.4 million, respectively.

Proposed annual caps

For each of the three years ending 31 March 2017, 2018 and 2019, the proposed annual cap amount for the rental payable by our Group under the Tenancy Agreement will be about HK\$600,000. Such amount of annual cap is estimated based on the annual rental payable to Prof Kiu under the Tenancy Agreement.

The rent under the Tenancy Agreement was determined by the parties through arm's length negotiations with reference to the market data on rentals of similar properties in the locality. The rent under the Tenancy Agreement is fair and reasonable and reflects the prevailing market rent of comparable properties in the locality.

Opinion of our Directors

Our Directors (including our independent non-executive Directors) are of the view that the Tenancy Agreement was entered and will be entered into during our ordinary and usual course of business on normal commercial terms, the terms of the Tenancy Agreement are fair and reasonable and in the interest of us and our Shareholders as a whole.

Confirmation from the Sponsor

The Sponsor considers that the Tenancy Agreement was entered into in our ordinary and usual course of business on normal commercial terms, the terms of the Tenancy Agreement are fair and reasonable and in the interest of us and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. Our Board consists of four executive Directors and three independent non-executive Directors.

Name	Age	Date of joining our Group	Position	Date of appointment as our Director	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Choy Chi Fai (蔡志輝) . . .	42	16 November 2001	Executive Director, managing director and Chairman of the Board	17 April 2015	Responsible for overall direction and management of our Group	Spouse of Mrs. Choy and brother-in-law of Mr. Ho Chun Kit, Saxony, our executive Director and business development director
Ho Ka Man (何家敏) . . .	41	16 November 2001	Executive Director and marketing director	17 April 2015	Responsible for overseeing the operation of the marketing team of our Group and formulating marketing strategies and promotion plans	Spouse of Mr. Choy, sister of Mr. Ho Chun Kit, Saxony, executive Director and business development director
Ho Chun Kit, Saxony (何俊傑) . . .	46	4 March 2013	Executive Director and business development director	15 May 2015	Responsible for sale and marketing and development and expansion of our Group's business	Brother-in-law of Mr. Choy and brother of Mrs. Choy
Au Chun Kit (區俊傑) . . .	40	16 September 2013	Executive Director and operation director	15 May 2015	Responsible for information technology system and infrastructure of our Group; and responsible for administrative and logistics support of our specialty stores and sales counters at consignee retail stores	Cousin-in-law of Ms. Tang Wing Shan, the Company Secretary and Financial Controller of our Company
Luk Ting Kwong (陸定光) . . .	61	20 July 2016	Independent non-executive Directors	20 July 2016	Provide independent advice to the Board	None
Ko Ming Kin (高銘堅) . . .	53	20 July 2016	Independent non-executive Directors	20 July 2016	Provide independent advice to the Board	None
Wan Cho Yee (尹祖伊) . . .	47	20 July 2016	Independent non-executive Directors	20 July 2016	Provide independent advice to the Board	None

Executive Directors

Mr. Choy Chi Fai (蔡志輝), aged 42, is our executive Director, managing director and Chairman of the Board. He is one of the founders of our Group. Mr. Choy is the spouse of Ms. Ho Ka Man and the brother-in-law of Mr. Ho Chun Kit, Saxony, our executive Director and business development director. Before founding our Group, Mr. Choy (together with Mrs. Choy) had been engaged in the business of trading and distribution in Hong Kong. Mr. Choy has more than 14 years' experience in marketing, distribution, wholesale and retail of health supplement products in Hong Kong, the experience of which was gained from the operation of our Group. His knowledge in retail marketing of health supplement products has substantially enhanced the development and public awareness of our Group during the past years. Mr. Choy is responsible for the overall direction and management of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Choy obtained a Bachelor of Arts degree from the Hong Kong Baptist University in December 2000. He received a Diploma of Food and Nutritional Sciences from the Chinese University of Hong Kong in May 2010. He was awarded a Master of Arts degree in Comparative and Public History by the Chinese University of Hong Kong in December 2010. Mr. Choy possesses relevant knowledge in food and nutritional sciences, and has assisted our Group in quality control of our products and selection of reliable suppliers of health supplement products.

Mr. Choy has been active in Hong Kong's health food industry. He was appointed as a Council member of Hong Kong Health Food Association (the "**Association**") in 2010. Mr. Choy was the Treasurer of the Association to help manage and supervise the financial matters of the Association between October 2011 and October 2015. Mr. Choy has been appointed Patron President of the Cosmetic & Perfumery Association of Hong Kong Ltd. for the period from December 2014 to November 2016. He has served as a Programme adviser for Health & Applied Sciences Division of the School of Continuing and Professional Studies of the Chinese University of Hong Kong since September 2013.

Currently, Mr. Choy is a member of the Customer Liaison Group for Small and Medium-sized Enterprises of the Trade & Industry Department of the Hong Kong Government. He is also engaged as a mentor of Small and Medium-sized Enterprises Mentorship Program of the Trade & Industry Department of Hong Kong Government, Small and Medium-sized Enterprises Mentorship Program of the Employees Retraining Board and Hong Kong Baptist University Career Mentorship Program. Mr. Choy was appointed as a member of Kwun Tong Healthy City Steering Committee in April 2016.

In addition to his business achievement, Mr. Choy is also dedicated to Hong Kong's education and social development. Mr. Choy is currently Chairperson of the Executive Committee of the Ning Po College Alumni Association Education Fund. He has served as an Alumni Manager of the Ning Po College Incorporated Management Committee since June 2013. He has been a director of the Chinese Christian Herald Crusades Limited (Hong Kong Branch) since April 2011.

Mr. Choy was awarded the "Prime Award for Outstanding Leaders" by Metro Prosperity Magazine in 2013. He was conferred the "Most Promising Entrepreneurship Award" by Enterprise Asia and the Organising Committee of the Asia Pacific Entrepreneurship Awards 2014 for outstanding and exemplary achievements in entrepreneurship in September 2014. Mr. Choy received the "Excellence in Achievement of World Chinese Youth Entrepreneurs 2015" (jointly awarded by Yazhou Zhoukan and World Federation of Chinese Entrepreneurs Organization) in October 2015. Apart from recognition of excellent business acumen, Mr. Choy was awarded the Hong Kong Auxiliary Police Long Service Medal (effective in May 2012) to commend his contribution and commitment to the Hong Kong Auxiliary Police for more than 15 years.

Ms. Ho Ka Man (何家敏), aged 41, is our executive Director and marketing director. She is one of the founders of our Group. Ms. Ho is the spouse of Mr. Choy Chi Fai and sister of Mr. Ho Chun Kit, Saxony, our executive Director and business development director. Before founding our Group, Mrs. Choy (together with Mr. Choy) had been engaged in the business of trading and distribution in Hong Kong. Mrs. Choy has more than 14 years experience in marketing of health supplement products in Hong Kong, the experience of which was gained from the operation of our Group. Her knowledge in marketing of health supplement products has substantially enhanced the sales and growth of our Group during the past years. Mrs. Choy is responsible for overseeing the operation of our marketing team. Mrs. Choy is also responsible for formulating our Group's marketing strategies and promotion plans.

Mrs. Choy received a Higher Diploma of Fashion and Textile Merchandizing from the Hong Kong Polytechnic University in November 1997. Under Mrs. Choy's leadership and supervision, our Group has successfully promoted our brand image and a comprehensive range of health products, which has been awarded and recognised by different organizations in recent years. For example, our brand was

DIRECTORS AND SENIOR MANAGEMENT

awarded “Hong Kong Top Brand Award” by Hong Kong Brand Development Council and the Chinese Manufacturers’ Association of Hong Kong in 2013. We have also been awarded as an accredited shop by the Quality Tourism Services (QTS) Scheme for over 10 consecutive years since 2005.

Mrs. Choy was awarded “CEO of the Year 2015” by South China Media Capital CEO in June 2015. She has been appointed as a mentor of the SME Mentorship Programme of the Employees Retraining Board.

Mr. Ho Chun Kit, Saxony (何俊傑), aged 46, is our executive Director and business development director. He joined our Group in March 2013. Mr. Ho is the brother-in-law of Mr. Choy and brother of Mrs. Choy. Mr. Ho is responsible for sales and marketing and development and expansion of our Group’s business.

Mr. Ho obtained a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing in December 2003. He joined the Treasury Markets Association in January 2006 and is now a Full Member. Prior to joining our Group, Mr. Ho has gained more than 20 years’ experience in the financial market. He was employed by Yagi Euro (Hong Kong) Limited as a broker of the US Dollars deposit section between 1990 and 1996. He joined M. W. Marshall (Hong Kong) Limited in June 1997 as a dealer on US dollars deposit. Mr. Ho joined ICAP (Hong Kong) Limited in September 1998 and was responsible for marketing and sales of financial products. He served as a senior manager of Nittan Capital Asia Limited between August 2005 and December 2012.

Mr. Au Chun Kit (區俊傑), aged 40, is our executive Director and operation director. He joined our Group in September 2013. Mr. Au is the cousin-in-law of Ms. Tang Wing Shan, the Company Secretary and Financial Controller of our Company. Mr. Au is in charge of the information technology system and infrastructure of our Group, including development of our online sales channels and maintenance of the ERP system. He is also responsible for administrative and logistics support of our specialty stores and sales counters at consignee retail stores.

Mr. Au received a Bachelor of Engineering in Computer Sciences from the Hong Kong University of Science and Technology in November 1998. Mr. Au possesses more than 15 years’ experience working in information technology in a wide range of industries. He worked for Varitronix Limited (a subsidiary of Varitronix International Limited, stock code: 00710, a company listed on the Main Board) as a programmer in its Information Services Department between August 1998 and April 2000. He joined Arcotect Limited in April 2000 to work as a software developer until August 2001. Mr. Au later served as an analyst programmer at the Immigration Department of Hong Kong Government between September 2001 and June 2004 (responsible for programme design, programme development and user support). He became a system analyst of NCSI Limited between November 2004 and July 2006. Mr. Au joined Hong Yip Service Company Limited (a subsidiary of Sun Hung Kai Properties Limited, stock code: 00016, a company listed on the Main Board) in September 2006 as a senior system analyst (later promoted to information technology manager).

Dr. Luk Ting Kwong (陸定光), aged 61, was appointed as our independent non-executive Director with effect from 20 July 2016. He received the degrees of Master of Business Administration and Doctor of Philosophy from the University of New South Wales in October 1985 and May 2001 respectively.

Dr. Luk joined the Department of Business Studies of the Hong Kong Polytechnic (now the Hong Kong Polytechnic University) as a senior lecturer in August 1992. He was conferred the title of Assistant Professor in January 1995. He served as an associate professor of the Department of Management and Marketing between May 2005 and April 2015. Dr. Luk has become a professor at the School of Marketing and Logistics Management of Nanjing University of Finance & Economics since May 2015. Dr. Luk is now in charge of the Brand Management & Innovation Centre (品牌戰略及創新中心) of the Hong Kong Polytechnic University in Shenzhen.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Luk has extensive marketing experience in Hong Kong. He has been appointed as a member of the Technical Advice Committee of the Hong Kong Brand Development Council since April 2008. He has become a member of the SMEs Customers Liaison Committee of the Trade and Industry Department of Hong Kong Government since January 2013.

Mr. Ko Ming Kin (高銘堅), aged 53, was appointed as our independent non-executive Director with effect from 20 July 2016. He was awarded a Professional Diploma in Accountancy by the Hong Kong Polytechnic (now the Hong Kong Polytechnic University) in November 1986. Mr. Ko became an associate member of Hong Kong Institute of Certified Public Accountants in April 1990. He was recognised as a fellow member of the Association of Chartered Certified Accountants in April 1995. Mr. Ko was admitted as a Member of Hong Kong Securities Institute in December 1998. He was admitted as an associate of the Institute of Chartered Accountants in England and Wales in August 2007.

Prior to joining our Group, Mr. Ko has worked for a major accountant firm and various listed companies in Hong Kong, gaining more than 25-years' experience in accounting services and corporate financial management. He worked for Ernst & Young between July 1988 and April 1993 (and rejoined between August 1994 and May 1996) and was then responsible for audit assignments and special assignments such as due diligence reviews, investigations and flotation. He served as a manager of the Compliance Division of the Stock Exchange of Hong Kong Limited from April 1993 to August 1994 (responsible for inspection review of members of the Stock Exchange and supervision of financial and compliance affairs). Mr. Ko worked for China Aerospace International Holdings Limited (stock code: 00031, a company listed on the Main Board) as the deputy general manager of the financial department between June 1996 and April 1997. He was the financial controller of China Sci-Tech Holdings Limited (now renamed as CST Mining Group Limited) (stock code: 00985, a company listed on the Main Board) from January 1998 to July 1999. He served as the group's financial consultant of Pineview Industries Limited (member of Pine Technology Holdings Limited) (stock code: 01079, a company listed on the Main Board) between August 1999 to March 2000. He joined Information Security One Limited in April 2000 as chief finance officer and remained in the position until his departure in March 2007. Mr. Ko worked for Crocodile Garments Limited (stock code: 00122, a company listed on the Main Board) between March 2007 and March 2010 (and rejoined the company since February 2011). He now serves as the chief financial officer and company secretary of Crocodile Garments Limited and is responsible for the company's management, financial functions, legal, inventory logistics and shipping affair.

Mr. Wan Cho Yee (尹祖伊), aged 47, was appointed as our independent non-executive Director with effect from 20 July 2016. He received the degrees of Bachelor of Science in Business Administration (International Business) and Master of Business Administration from the San Francisco State University in January 1994 and May 1995 respectively.

Mr. Wan had served as the general manager of Prince of Peace Enterprises, Inc. since 1994 and was transferred to the position of general manager (Asia Pacific) in its subsidiary, Prince of Peace (Hong Kong) Limited in 1999 until his departure in July 2009. Mr. Wan was employed by Peter F. Drucker Academy as the marketing director between September 2009 and November 2011. He has become a Certified Drucker Educator of Peter F. Drucker Academy since November 2011 and provides training courses on management, leadership and entrepreneurship.

As a Certified Drucker Educator, Mr. Wan has been a trainer for listed companies, public corporations, non-profit organisations and government department in Hong Kong, which cover aspects on sales and marketing planning, international market and new product development.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, none of our Directors:

- (i) held any other positions in our Company or other members of our Group at the Latest Practicable Date;
- (ii) had any other relationship with any directors, senior management or substantial Shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; and
- (iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors, and after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management:

Name	Age	Date of joining the Group	Position	Date of appointment as our senior management	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Tang Wing Shan (鄧穎珊)	41	June 2013	Company Secretary and Financial Controller	June 2013	Responsible for management of our financial team and supervising secretarial, corporate finance, treasury, financial reporting, tax and other related financial matters	Cousin-in-law of Mr. Au Chun Kit, our executive Director and operation director
Leung Fung Ching (梁鳳貞)	49	January 2014	Senior financial manager	January 2014	Responsible for management of accounting system and monthly review of accounts	None
Yam Sau Man (甄秀雯)	34	October 2003	Senior marketing manager	February 2013	Responsible for management of designated sales counters in consignee stores and specialty stores and training for our frontline sales staff	None
Mo Suet Lin (巫雪蓮)	39	August 2013	Senior marketing manager	February 2015	Responsible for promotion activities, publicity materials and brand image of our Group	None
Lai Ka Wai (黎家蕙)	30	November 2005	Senior human resources manager, senior warehouse manager	February 2015	Responsible for human resources and general administrations responsible for supervising stock management and our warehouse team	None
Chan Ho Yi (陳好宜)	26	June 2012	Financial manager	May 2015	Responsible for implementation of the ERP system, inventory capital and review of accounts of our specially stores	None

DIRECTORS AND SENIOR MANAGEMENT

Ms. Tang Wing Shan (鄧穎珊), aged 41, is the Company Secretary and Financial Controller of our Company. She joined our Group in June 2013. Ms. Tang is responsible for management of our Group's financial team and supervising secretarial, corporate finance, treasury, financial reporting, tax and other related financial matters.

Ms. Tang obtained a Bachelor of Commerce from the University of Toronto in June 1997 and a Bachelor of Administrative Studies from York University in November 1999. She was awarded a Master of Business Administration by Laurentian University in October 2006. Ms. Tang was admitted as a Certified General Accountant by the Certified General Accountants Association of Ontario in September 2001. She was admitted as a Fellow of the Association of Chartered Certified Accountants in March 2008.

Ms. Tang possesses about 15 years' experience in accounting services. She was employed as an accountant of Cosmoda Corporation from August 2004 to June 2011. She joined the Finance Control Department of the Bank of East Asia, Limited (stock code: 00023, a company listed on the Main Board) as an officer between July 2011 and September 2012. She served as a senior accountant of Marubeni Power Asset Management Limited between September 2012 and January 2013.

Ms. Leung Fung Ching (梁鳳貞), aged 49, is the senior financial manager of our Company. She joined our Group in January 2014. Ms. Leung is responsible for management of accounting system and monthly review of accounts.

Ms. Leung received a Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University in June 2002. She was qualified as a Hong Kong Certified Public Accountant in July 2004. In November 2008, Ms. Leung was admitted as a Fellow of the Association of Chartered Certified Accountants.

Ms. Leung has gained more than 20 years' experience in accounting services. She joined Sinotrans Shipping Limited (stock code: 00368, a company now listed on the Main Board) in January 1995 as Assistant Chief Accountant and was responsible for preparing accounts and deregulatory reports. In July 1999, she was promoted to the deputy manager of the Finance and Accounts Department and then responsible for fund management, asset management, liability management, fundraising and financial reporting. Ms. Leung worked as an assistant credit & collection manager in Avery Dennison Hong Kong B.V. between March 2005 and August 2006. She served as an accountant (and later promoted to the position of senior accountant) for Parade Technologies Limited between September 2006 and January 2014.

Ms. Yam Sau Man (甄秀雯), aged 34, is the senior marketing manager of our Company. She first joined our Group as a marketing executive in October 2003 and she rejoined in October 2004. Ms. Yam is responsible for the management of designated sales counters in consignee stores and specialty stores and training for our frontline sales staff. Ms. Yam was promoted to our senior management in February 2013 based on her contribution in expanding our sales and distribution network in the past 10 years' service.

Ms. Yam graduated from the Hong Kong Institute of Vocational Education with a Higher Diploma in Food Science and Technology in July 2003. Upon her graduation, Ms. Yam joined our Group in October 2003.

Ms. Mo Suet Lin (巫雪蓮), aged 39, is the senior marketing manager of our Company. She joined our Group in August 2013. Ms. Mo is responsible for promotion activities, publicity materials and brand image of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Mo obtained a Bachelor of Arts degree in Chinese Language and Literature from the Hong Kong Baptist University in December 2000. Ms. Mo completed the course held by Beauty Tech and was awarded the certificate of Diploma in Beauty Therapy. She was also awarded a Diploma in Beauty Therapy (China) by the City and Guilds of London Institute in July 2005. She completed the Postgraduate Diploma in Education from the Chinese University of Hong Kong in December 2010.

Before joining our Group, Ms. Mo was employed by Worldmate Management Limited as an operation officer for the period from November 2010 to October 2012. Then, she joined Intelligent Beauty Tech Trading Ltd as a beauty purchaser between October 2012 and March 2013.

Ms. Lai Ka Wai (黎家蕙), aged 30, is the senior human resources manager and senior warehouse manager of our Company. She joined our Group in November 2005. On the one hand, Ms. Lai oversees human resources and general administration matters. On the other hand, she is also responsible for supervising stock management and our warehouse team.

Ms. Lai obtained a Diploma in Accounting Studies from YMCA College of Careers in June 2004. She was awarded the Certificate of Business Calculations certified by the London Chamber of Commerce and Industry. Prior to joining our Group, Ms. Lai was employed as an assistant accounting clerk of Promise Network Printing Limited between September 2004 and September 2005. She later joined our Group as an accounting clerk in November 2005 and was promoted to our senior management in February 2015 based on her experience in administration and dedication to our Group in the past 10 years.

Ms. Chan Ho Yi (陳好宜), aged 26, is the financial manager of our Company. She joined our Group as financial officer in November 2012 and was promoted to our senior management in May 2015. Ms. Chan is responsible for implementation of the ERP system, inventory control and review of accounts of our specialty stores.

Ms. Chan obtained a Bachelor of Business Administrative degree in Management of Organizations and Finance from the Hong Kong University of Science and Technology in June 2012. Upon her graduation, she joined our Group in June 2012. During her three years' service, Ms. Chan has contributed in setting up our ERP and inventory control system. She also assists in review of our compliance status and implementation of the internal control measures.

None of our senior management held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

BOARD COMMITTEES

The Audit Committee, Remuneration Committee and Nomination Committee were approved to be established by resolutions passed by our Board on 20 July 2016. The memberships of committees are as follows:

<u>Name of Director</u>	<u>Audit Committee</u>	<u>Remuneration Committee</u>	<u>Nomination Committee</u>
Mr. Choy	—	Member	Member
Dr. Luk Ting Kwong	Member	—	Chairman
Mr. Ko Ming Kin	Chairman	Member	—
Mr. Wan Cho Yee	Member	Chairman	Member

DIRECTORS AND SENIOR MANAGEMENT

Each of the above three committees has written terms of reference. The functions of the above three committees are summarised as follows:

Audit Committee

Our Audit Committee has written terms of reference in compliance with Code C.3 of the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and materials, provide advice in respect of financial reporting and oversee the internal control procedures of the Company.

Remuneration Committee

Our Remuneration Committee has written terms of reference in compliance with Code B.1 of the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 of the Listing Rules. The primary functions of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and the 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.

Nomination Committee

Our Nomination Committee has written terms of reference in compliance with Code A.5 of the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 of the Listing Rules. The primary functions of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and make recommendation to the Board on any proposed changes to the Board to complement our Company's corporate strategy; identify individuals suitably qualified as potential board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of independent non-executive Directors; and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of our chairman and the chief executive officer.

HUMAN RESOURCES

We generally maintain good working relations with our staff. We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, our Group has not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes.

Labour disputes

During the Track Record Period, our Group was not a party to any labour claims in relation to labour disputes between our employee, our sub-contractors and/or their direct labour.

Benefits and social insurance

As required by the employment laws in Hong Kong, our Group participates in a provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our eligible employees in Hong Kong. We contribute 5% of our employees' relevant income per month as required under the ordinance, subject currently to a maximum of HK\$1,500 per employee. Contributions from us are 100% vested in each employee immediately but, subject to limited

DIRECTORS AND SENIOR MANAGEMENT

exceptions, all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 or ceases employment and the employee declares not to become employed or self-employed within the foreseeable future.

Remuneration policy

The aggregate amounts of remuneration of our senior management for the three years ending 31 March 2016 were of approximately HK\$1.9 million, HK\$2.4 million and HK\$2.6 million respectively.

The aggregate amounts of remuneration of our Directors for the three years ended 31 March 2016 were approximately HK\$2.1 million, HK\$1.4 million and HK\$1.6 million respectively. Details of the arrangement for remuneration are set out in note 7 to the accountants' report in Appendix I to this prospectus. Under such arrangement and pursuant to our Directors' service agreements and letters of appointment referred to in the paragraph headed "C. Further information about substantial Shareholders, Directors and experts — 2. Particulars of service agreements" in Appendix IV to this prospectus, the aggregate amount of directors' fee and other emoluments payable to our Directors for the year ending 31 March 2017 is estimated to be approximately HK\$2.4 million, excluding any discretionary bonuses.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors and senior management.

After Listing, the Remuneration Committee will make recommendations to our Board on the overall remuneration policy and compensating packages relating to all Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors as an inducement to join or upon joining our Company.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme and intends to grant options to our executive Directors and senior management of our Group after Listing. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to the selected participants to promote the success of the business of our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward our Directors and other selected participants for their contributions to us.

The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date.

A summary of the principal terms of the Share Option Scheme is set out in paragraph headed "D. Share Option Scheme" in Appendix IV to this Prospectus.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Ample Capital Limited as our Group's compliance adviser, who will have access to our Company's authorised representatives, executive Directors and other officers at all reasonable times. The compliance adviser will advise our Company on ongoing compliance requirements and other issues under the Listing Rules and other applicable laws and regulations in Hong Kong after the Global Offering. The material terms of the compliance adviser's agreement to be entered into between our Company and the compliance adviser are as follows:

- (i) the compliance adviser's appointment is for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date (the "Term");
- (ii) the compliance adviser shall provide our Company with guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines in Hong Kong;
- (iii) our Company will indemnify the compliance adviser against all claims, actions, demands, liabilities, proceedings and judgment brought or established against, and all costs, charges and expenses suffered or incurred by the compliance adviser arising from or in connection with such appointment and/or the resignation or termination in relation thereto, unless such losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses and demands are determined by a final court of jurisdiction to have arisen solely as a result of willful default or gross negligence on the part of the compliance adviser; and
- (iv) either our Company or Ample Capital Limited may terminate the said appointment prior to the expiry of the Term in accordance with the relevant terms and conditions.

EMPLOYEES

As at the Latest Practicable Date, we had 156 full-time and 7 part-time employees who were directly employed by our Group in Hong Kong. Please refer to the section headed "Business — Employees" in this prospectus for a breakdown of our employees by function as at the same date.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware of immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of the Shares which may be issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in our Shares

<u>Name</u>	<u>Nature of Interest</u>	<u>No. of Shares held</u>	<u>Approximate percentage of shareholding</u>
Beatitudes . . .	Beneficial owner (Note 1)	562,500,000	75%
Mr. Choy	Interest in controlled corporation (Note 2)	562,500,000	75%
Mrs. Choy . . .	Interest in controlled corporation (Note 2)	562,500,000	75%

Notes:

- Beatitudes is a company incorporated in the BVI and will own 75% shareholding interest in the Company immediately following completion of the Global Offering and the Capitalisation Issue but taking no account of the Shares to be issued pursuant to options which may be granted under the Share Option Scheme.*
- Each of Mr. Choy and Mrs. Choy (together as a group of our Controlling Shareholders) owns 50% of the issued share capital of Beatitudes, respectively. Immediately following completion of the Global Offering and the Capitalisation Issue but taking no account of the Shares to be issued pursuant to options which may be granted under the Share Option Scheme, Beatitudes will be the beneficial owner holding 75% shareholding interest in our Company and thus each of Mr. Choy and Mrs. Choy will be deemed or taken to be interested in all the Shares which are to be beneficially owned by Beatitudes for the purpose of the SFO. Mr. Choy and Mrs. Choy are directors of Beatitudes.*

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of the Shares which may be issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, who will, directly or indirectly, 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 any other member of our Group and are therefore regarded as substantial shareholders under the Listing Rules.

SHARE CAPITAL

Assuming that the Over-allotment Option is not exercised at all, and 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, our issued share capital immediately following the Global Offering and the Capitalisation Issue will be as follows:

Authorised share capital:	HK\$
2,000,000,000 Shares	20,000,000
Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalisation Issue:	
	HK\$
10,000 Shares in issue at the date of this prospectus	100
562,490,000 Shares to be issued pursuant to the Capitalisation Issue	5,624,900
187,500,000 Shares to be issued pursuant to the Global Offering	1,875,000
Total:	
750,000,000 Shares	7,500,000

Assuming that the Over-allotment Option is exercised in full, and 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, our issued share capital immediately following the Global Offering and the Capitalisation Issue will be as follows:

Authorised share capital:	HK\$
2,000,000,000 Shares	20,000,000
Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalisation Issue:	
	HK\$
10,000 Shares in issue at the date of this prospectus	100
562,490,000 Shares to be issued pursuant to the Capitalisation Issue	5,624,900
187,500,000 Shares to be issued pursuant to the Global Offering	1,875,000
28,124,000 Shares to be issued upon exercise of the Over-allotment Option in full	281,240
Total:	
778,124,000 Shares	7,781,240

RANKING

The Offer Shares will rank pari passu in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 20 July 2016, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors are authorised to allot and issue a total of 562,490,000 Shares credited as fully paid at par to the holder(s) of Shares on the register of members of our Company at the close of business on 20 July 2016 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any

SHARE CAPITAL

fraction of a Share) by way of capitalisation of the sum of HK\$5,624,900 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.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or any exercise of the Over-allotment Option, or any exercise of option to be granted under the Share Option Scheme, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General Mandate to Repurchase Shares” in this section.

This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws or the Memorandum of Association and Articles of Association; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders at general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “A. Further Information about our Company — 3. Written resolutions of our sole Shareholder” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme).

SHARE CAPITAL

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further Information about our Company — 6. Repurchases of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

- (i) the conclusion of our Company’s next annual general meeting
- (ii) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws or the Memorandum of Association and Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the section headed “A. Further Information about our Company — 3. Written resolutions of our sole Shareholder” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

Our Group does not have any outstanding share options, warrants, convertible instruments, pre-IPO share options or similar rights convertible into the Shares as at the Latest Practicable Date.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our Group's financial condition and results of operations together with our combined financial statements as at the closing date of and for the years ended 31 March 2014, 2015 and 2016 and the accompanying notes included in the accountants' report set out in Appendix I to this prospectus. The accountants' report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). Potential investors should read the whole of the accountants' report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties (including those discussed below or elsewhere in the prospectus). For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" in this prospectus.

OVERVIEW

We are a Hong Kong-based brand builder and retailer of health and personal care products focusing on the developing, marketing, selling and distributing of the branded products managed by us through our “澳至尊” sales and distribution network. Our health and personal care products can be broadly classified by nature into three major types: (i) health supplement products; (ii) honey and pollen products; and (iii) personal care products.

Our Directors are of the view that our success is attributed to the brand image which “澳至尊” associates with. Our consumers purchase health and personal care products from us because of their confidence in our proprietary “澳至尊” brand. Our Group has successfully invoked the core value and focus of “澳至尊” — quality health and personal care products vastly sourced from Australia with active ingredients from extracts of natural resources to our consumers.

We have so far developed and managed mainly three brands from Australia, namely “Organic Nature”, “Top Life” and “Superbee”. We entered into exclusive distribution agreements with the brand proprietors for management of the brands and the sale and distribution of certain selected products on an exclusive basis in certain regions as a result of our long-term and stable business relationships. We have developed and promoted a wide selection of health supplement products and personal care products under the brand of “Organic Nature” with a worldwide exclusive distribution right. A variety of honey and pollen products under the brand of “Superbee” with an exclusive distribution right in Hong Kong and Macau, and a variety of health supplement products and personal care products under the brand of “Top Life” with exclusive distribution right in Hong Kong.

Growing along with our brand reputation and customer base, our products are sold under our well established multi-channel “澳至尊” sales and distribution network, including retail sales at our self-operated specialty stores in Hong Kong and Macau, consignment sales (including counter sales and shelf product sales) at the consignee stores in Hong Kong and Macau, wholesale sales to individual and chain retailers, an online shopping platforms in China, online sales through our own website and distribution sales in Singapore via an exclusive distributor. We also sell our products in exhibitions and trade fairs.

For the three years ended 31 March 2016, our Group generated revenue of approximately HK\$195.5 million, HK\$225.8 million and HK\$210.8 million. Our net profit was approximately HK\$34.6 million, HK\$23.2 million and HK\$12.3 million for the respective years.

The increasing trend in revenue for the two years ended 31 March 2015 was mainly attributable to the increasing brand recognition of our Group, primarily benefiting from our increased investment in marketing and promotional activities and the rapid expansion of our multi-channel “澳至尊” sales and distribution network in Hong Kong. In particular, believing that products in Hong Kong are of higher

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quality and grade, our Group's products, which were mostly manufactured in Australia and distributed in Hong Kong, have been well-recognised and regarded as popular products in demand among mainland Chinese visitors to Hong Kong. According to the Euromonitor Report, during the review period from 2010 to 2014, there was an increase in the number of mainland Chinese visitors to Hong Kong, which had a positive impact on the sales of health supplement products. However, since the fourth quarter of the year of 2014, it is believed the health and personal care product retail market in Hong Kong have been severely impacted by the drop of mainland Chinese visitors to Hong Kong due to the combination of following events, including: (i) anti-mainlander protests in Hong Kong, such as, "Occupy Central" and "Anti-parallel Trading Protests"; (ii) the depreciation of RMB since late 2014, leading to the weakened purchasing power of the mainland Chinese visitors; and (iii) the PRC Government's decision to restrict Shenzhen residents to visit Hong Kong once a week starting April 2015. Our revenue then dropped slightly for the year ended 31 March 2016. Our Directors considered that the abovementioned circumstances had adversely impacted the sales of our Group's products along with the slowdown of the number of the mainland Chinese visitors to Hong Kong.

For the two years ended 31 March 2015, our net profit dropped significantly from HK\$34.6 million to HK\$23.2 million despite the growth in revenue continued for the respective year. Our Directors believe that such drop in net profit was mainly driven by the significant increase in our investment in marketing and promotional activities with the stimulative effect of which sales in local market being partially offset or overridden by the impact of sluggish market across Hong Kong retail sector from the above events. The significant increase in our selling and distribution expenses and our listing fee of approximately HK\$2.1 million had led to a significant drop in our net profit for the respective years. For the year ended 31 March 2016, while the overall revenue dropped slightly, the net profit of our Group further dropped to approximately HK\$12.3 million as a result of the recognition of listing expenses of approximately HK\$13.0 million. During the respective year, our gross profit margin improved as a result of (i) the depreciation in Australian dollar since August 2014 being reflected in our cost of sales under our FIFO inventory policy; and (ii) the slight decrease in selling and distribution expenses. If our listing expenses were excluded, our Group's adjusted net profit would have been approximately HK\$34.6 million, HK\$25.3 million and HK\$25.3 million for the three years ended 31 March 2016.

BASIS OF PRESENTATION

Our Company was incorporated as a limited liability company in the Cayman Islands on 17 April 2015. In preparation of the Listing, we underwent the Reorganisation, as detailed in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus. As a result of the Reorganisation, our Company became a holding company of the subsidiaries comprising our Group. The financial information includes the combined statements of profit and loss and other comprehensive income, combined statements of changes in equity, combined statements of cash flows and combined statements of financial position of the companies now comprising our Group.

The financial information has been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, whichever is the shorter period. The combined statements of financial position of our Group as at 31 March 2014, 2015 and 2016 have been prepared to present the assets and liabilities of our Group as at the respective dates as if the current group structure had been in existence at those dates.

Transactions, balances and unrealised gain or losses on transactions between companies within our Group are eliminated on combination.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by a number of factors. Set forth below is a discussion of the most significant factors we believe may affect our results of operations in the future as well as those factors that have affected our results of operations and may continue to have such impact. Factors other than those set forth below could also have a significant impact on our results of operations and financial condition in the future.

Market recognition of our brand name “澳至尊” and the brand names of our products

The growth of our historical sales was mainly driven by the increasing market recognition of the branded products managed by our Group in Hong Kong. We expect our future sales to grow by receiving continuous benefits from the expansion of public awareness of the health and personal care product in Hong Kong, Macau, Singapore and the PRC. The growth of these markets is affected by a number of factors, including the growth of GDP and disposable income level of households as well as consumer preferences. For our Group's health and personal care products, we face challenges from Hong Kong and foreign health supplement manufacturers, distributors as well as other brand proprietors.

Distributing and marketing under our self-branded “澳至尊” sales and distribution network, we offer a wide variety of health and personal care products with brands sourced from our brand proprietors that are managed by us. We believe our success depends substantially on the popularity of our brand name “澳至尊” and the brand name of our products. As at the Latest Practicable Date, we operate our business under our “澳至尊” brand. We believe that brand recognition plays an important role in influencing consumers' decisions in purchasing our products. We have invested significant effort and resources to establish brand recognition and have received various awards and recognitions. We believe that our continued success will depend largely on our ability to protect and enhance the value of our brand. Furthermore, as we continue to expand our sales network, our ability to market and promote our brand will remain critical to the success of our business. We enhance our brand awareness through various channels and methods.

We have spent significant marketing expenses to promote our brand, including the engagement of our brand spokespersons. In the event that there is any decline in popularity, or negative news on our spokespersons, in particular if such news relate to their health, our brand image may be tarnished and our sales and results of operations may be adversely affected.

Our ability to maintain our brand name “澳至尊” and the brand name of our products may affect our ability to generate revenues.

Coverage of our “澳至尊” sales and distribution network

Our revenue and profit growth will depend to a significant extent on our ability to successfully expand and manage our sales and distribution network. We may face challenges with finding suitable sales channels in Hong Kong, Macau, Singapore and the PRC. We will rely continuously on the ability of our self-operated specialty stores, consignment sales including counter sales and shelf product sales at the consignee stores, wholesale sales to individual and chain retailers, online shopping platforms in China and online sales through our own website and distribution sales in Singapore via an exclusive distributor as well as exhibitions and trade fairs to successfully promote our products to end customers.

Directors believe that the Group's future results of operations will depend significantly upon its ability to increase sales of its products through marketing and advertising campaigns, such as advertisements through major television channels, newspapers and magazines, outdoor advertising and promotional activities such as participating in large scale exhibitions, promoting the Group's website and engaging brand ambassadors. As demand for the Group's products may be impacted by

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the success of its advertising and promotion activities, if the Group is unable to increase sales of its products through these marketing efforts, the Group's financial condition and results of operations may be materially and adversely affected.

Cost of our inventories

Our purchases from HCL amounted to HK\$24.8 million, HK\$28.1 million and HK\$22.1 million for the three years ended 31 March 2016 respectively, representing 72.2%, 81.3%, and 75.7% of our total purchases for the respective years. Our purchases from Homart and Bee Wonderful together amounted to HK\$9.4 million, HK\$6.4 million and HK\$7.1 million for the three years ended 31 March 2016 respectively, representing 27.5%, 18.7% and 24.3% of our total purchases for the respective periods. We rely on HCL, Homart and Bee Wonderful as our three largest suppliers and in turn, our business, financial condition and operating results depend on, among other things, the continuous supply of products from HCL, Homart and Bee Wonderful and our continuous supplier-customer relationship with them. For further details of our relationship with these suppliers, please refer to the section headed "Business — Suppliers".

In addition, our cost of sales were approximately HK\$31.8 million, HK\$35.9 million and HK\$30.5 million for the three years ended 31 March 2016 which mainly represented the cost of inventories sourced from our brand proprietors in Australia. Since the fluctuation of our overall cost of inventories has significant effect in our revenue, we have to encounter a series of market conditions, including the supply and availability of raw materials of our inventories — which are mainly extracted from natural resources, such as plants and animals vastly sourced from Australia, the inflation of labour costs in Australia as well as the change of exchange rate of Australian dollar being the transactional currency of our inventories. The increase of the cost of inventories resulting from the abovementioned market conditions will have adverse impact on our revenue and business performance.

Our purchases are mainly made in Australian dollars. As a result, we incur transactional foreign currency gains or losses from our operations. For the three years ended 31 March 2016, our net foreign exchange differences amounted to a gain of HK\$0.3 million, net loss HK\$(0.6) million and HK\$(1.2) million, respectively. The depreciation of Australian dollars, which started in August 2014, has also resulted in lower prices of our imported health and personal care products.

Our product portfolio

Our ability to introduce new products to the market that meet consumer preferences will have a significant influence on our future sales volume and financial performance. The success of our high quality branded products depends on a number of factors, including (i) our ability to accurately anticipate changes in market demand and consumer preferences; (ii) our ability to differentiate our products from those of our competitors; (iii) intellectual property rights of competitors that may cause limitation in our product offerings; (iv) government regulations that affect our ability to obtain all required regulatory approvals and the effectiveness of our marketing and advertising campaigns for these products.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are those accounting policies and estimates that involve significant judgments and uncertainties and potentially yield materially different results under different assumptions and conditions. Note 1 and 2 of section B of the Accountants' Report in Appendix I of this prospectus sets forth certain significant accounting policies. Our combined financial statements have been prepared in accordance with HKFRSs, which requires that we adopt accounting policies and make estimates that we believe are the most appropriate in the circumstances for the purposes of giving a true and fair view of our results of operations and financial condition. Estimates and judgments are based on

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historical experience, prevailing market conditions and rules and regulations, and are reviewed on a continual basis taking into account of the changing environment and circumstances. We did not recognise any impairment loss during the Track Record Period.

SUMMARY OF FINANCIAL INFORMATION

The following table presented the selected financial data from our combined income statements for the three years ended 31 March 2016 which have been extracted from, and should be read in conjunction with the Accountants' Report set forth in Appendix I to this prospectus.

Combined Statements of profit or loss and other comprehensive income

	For the year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Revenue	195,461	225,788	210,840
Cost of sales	<u>(31,781)</u>	<u>(35,924)</u>	<u>(30,498)</u>
Gross profit	163,680	189,864	180,342
Other revenue	599	523	627
Other net income	252	—	—
Gain on disposal of a subsidiary	—	—	783
Gain on dissolution of a subsidiary	—	—	10
Selling and distribution expenses	(109,245)	(140,168)	(134,235)
General and administrative expenses	<u>(13,905)</u>	<u>(20,900)</u>	<u>(30,429)</u>
Profit from operations	41,381	29,319	17,098
Finance costs	<u>(92)</u>	<u>(207)</u>	<u>(441)</u>
Profit before taxation	41,289	29,112	16,657
Income tax	<u>(6,714)</u>	<u>(5,938)</u>	<u>(4,364)</u>
Profit for the year attributable to equity owners of the Company	<u><u>34,575</u></u>	<u><u>23,174</u></u>	<u><u>12,293</u></u>
Other comprehensive income/(loss) for the year			
Item that are/may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of financial statements of overseas subsidiaries	14	(143)	199
— Reclassification of exchange reserve upon disposal and dissolution of subsidiaries	<u>—</u>	<u>—</u>	<u>(70)</u>
	<u>14</u>	<u>(143)</u>	<u>129</u>
Total comprehensive income for the year attributable to equity owners of the Company	<u><u>34,589</u></u>	<u><u>23,031</u></u>	<u><u>12,422</u></u>

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Combined statements of financial position

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	7,509	8,756	3,396
Rental deposits	5,240	4,571	2,902
Deferred tax assets	1,538	1,384	1,420
	<u>14,287</u>	<u>14,711</u>	<u>7,718</u>
Current assets			
Inventories	12,760	11,387	9,825
Trade and other receivables	23,847	29,335	33,815
Amount due from Controlling Shareholders	—	801	—
Amount due from a related company	—	38	—
Tax recoverable	—	—	617
Pledged bank deposits	504	509	794
Cash and cash equivalents	31,761	41,287	31,655
	<u>68,872</u>	<u>83,357</u>	<u>76,706</u>
Current liabilities			
Trade and other payables	6,901	7,510	9,047
Dividend payables	18,003	10,000	—
Amounts due to Controlling Shareholders	8,283	2,706	—
Amount due to a related company	264	—	—
Bank borrowings	7,522	15,030	12,850
Obligations under finance leases	128	65	62
Provisions	—	153	317
Current taxation	5,984	3,296	—
	<u>47,085</u>	<u>38,760</u>	<u>22,276</u>
Net current assets	<u>21,787</u>	<u>44,597</u>	<u>54,430</u>
Total assets less current liabilities	<u>36,074</u>	<u>59,308</u>	<u>62,148</u>
Non-current liabilities			
Obligations under finance leases	127	62	—
Deferred tax liabilities	291	147	—
Provisions	—	412	193
	<u>418</u>	<u>621</u>	<u>193</u>
NET ASSETS	<u>35,656</u>	<u>58,687</u>	<u>61,955</u>
CAPITAL AND RESERVES			
Share capital	59	59	59
Reserves	35,597	58,628	61,896
Total equity attributable to equity shareholders of the Company	<u>35,656</u>	<u>58,687</u>	<u>61,955</u>

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DISCUSSION OF CERTAIN KEY INCOME STATEMENT ITEMS

Revenue

Our revenue represents the net invoiced value of goods sold after deduction of allowances for returns (if any) and trade discounts provided to the Group's consumers. During the Track Record Period, our revenue was derived mainly from the sales of our Group's health and personal care products, which are broadly classified by nature into three major types of products as: (i) health supplement products; (ii) honey and pollen products; and (iii) personal care products.

The following table sets forth the breakdown of our Group of revenue by types of product:

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Health supplement	187,781	96.1	213,661	94.6	197,373	93.6
Honey and pollen	4,158	2.1	6,223	2.8	7,203	3.4
Personal care	3,522	1.8	5,904	2.6	6,264	3.0
Total	<u>195,461</u>	<u>100</u>	<u>225,788</u>	<u>100</u>	<u>210,840</u>	<u>100</u>

The following table sets forth a summary of the sales volume and average selling price of the three major product types managed by us by revenue for the three years ended 31 March 2016:

	For the year ended 31 March					
	2014		2015		2016	
	% of total sales volume	%	% of total sales volume	%	% of total sales volume	%
Sales volume						
<i>(approximate unit)</i>						
Health supplement	326,000	82.5	426,000	84.4	476,000	84.7
Honey and pollen	24,000	6.1	40,000	7.9	49,000	8.7
Personal care	45,000	11.4	39,000	7.7	37,000	6.6
Average selling price						
<i>(HK\$/unit)</i>						
Health supplement	576.0		501.5		414.6	
Honey and pollen	173.3		155.6		147.0	
Personal care	78.3		151.4		169.3	

Note: Each unit is equivalent to a package of our product.

Our health and personal care retail market is considered as a consumer market. The various types of products sold by us are subject to different levels of demand and consumer preference, which also depends on a series of factors, including the pricing of our products, our product differentiation, our brand images, our marketing and promotion activities, our customer loyalty, the accessibility of the sales channels of our products and the overall market trend, inter alia.

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Health supplement products

Our health supplement products which are mainly sold under the “Organic Nature” and “Top Life” brands during the Track Record Period generally take the forms of pills, tablets, soft capsules or liquid for oral intake. The active ingredients of most of our health supplement products were primarily extracted from natural resources such as plants and animals. Our health supplement products target at health conscious customers.

Such type of product which consists most of our best selling products, accounted for over 90% of our overall revenue during the Track Record Period. For the three years ended 31 March 2016, our health supplement products remained as our flagship products, directly benefiting the most from the increasing market recognition of our brand name “澳至尊”, the sales of which represent approximately 96.1%, 94.6% and 93.6% of our overall revenue for the respective years. During the Track Record Period, the share of our revenue derived from our health supplement products has recorded a slight downward trend as a result of the relatively more rapid growth in sales of our other types of products, benefiting from the expansion of our sales and distribution network in Hong Kong.

(i) Analysis of sales volume of health supplement products

Our overall sales volume of health supplement products was approximately 326,000 units, 426,000 units and 476,000 units for the three years ended 31 March 2016. The significant growth in overall sales volume for the respective years was mainly attributable to (i) the increase in discounts and promotions of our products, benefiting from the drop in our purchasing costs of inventories as a result of the depreciation of Australian dollars and responding to the sluggish market conditions across the retail sector in Hong Kong; (ii) the growth in our sales along with our increasing marketing and promotional activities and the expansion of our “澳至尊” sales and distribution network for instance, our Group significantly increased the sales of travel size package of various types of products, which are smaller in size and quantity and has a lower retail price, via our various promotion events in order to boost our overall sales over the Track Record Period; and (iii) the increase in sales via our other sales channels (for the analysis of our sales via other sales channels, please refer to the section headed “Financial Information — Other Sales Channel” in this prospectus). Our Directors considered that the stimulative effect of the growth were partially offset by the sluggish market conditions across the retail sector in Hong Kong.

(ii) Analysis of the average selling price of health supplement products

The average selling price of health supplement products were approximately HK\$576.0, HK\$501.5 and HK\$414.6 per unit for the three years ended 31 March 2016 respectively. Our Directors considered that overall drop in the average selling price during the Track Record Period was mainly attributable to: (i) the increase in discounts and promotions of our products, benefiting from the drop in our purchasing costs of inventories as a result of the depreciation of Australian dollars, and responding to the sluggish market conditions across the retail sector in Hong Kong; (ii) the increase in the sale of health supplement products via our self-operated specialty stores where we generally had higher flexibility to offer more discounts and promotions on the sale of certain products, including some relatively slow-moving products and products at lower retail price. For instance, our Group significantly increased the sales of our “Organic Nature” products of travel size package of various types of products (from approximately 13,000 units, 18,000 units to 49,000 units for the three years ended 31 March 2016 respectively) via our various promotion events in order to boost our overall sales over the Track Record Period (for the analysis of our sales via our specialty stores, please refer to the section headed “Financial Information — 澳至尊 Speciality Stores” in this prospectus) and; (iii) the increase in our sales via other sales channels where we generally offered considerable bulk buy discounts (for the analysis of our sales via other sales channels, please refer to the section headed “Financial Information — Other Sales Channels” in this prospectus).

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Honey and pollen products

Our honey and pollen products include different kinds of honey with different flavours, honey related products such as honey comb, propolis candies as well as bee pollen products. Our honey and pollen products are sold under the “Superbee” brand, which is a well-recognised honey brand in Australia. The “Superbee” honey and pollen products are produced using honey from Australia and New Zealand and are manufactured in Australia.

For the three years ended 31 March 2016, our honey and pollen products represent approximately 2.1%, 2.8% and 3.4% of our overall revenue respectively. The overall relatively more rapid growth in share of revenue derived from our honey and pollen products during the Track Record Period were mainly attributable to (i) our increasing marketing and promotional activities; and (ii) the expansion of our “澳至尊” sales and distribution network. In particular, our Directors believe that the setting up of our self-operated specialty stores have provided additional platforms and shop experience for our customers to explore other types of products that were also managed by us, benefiting from the extensive customer base of our health supplements products.

(i) Analysis of the sales volume of honey and pollen products

Our overall sales volume of honey and pollen products was approximately 24,000 units, 40,000 units and 49,000 units for the three years ended 31 March 2016 respectively. During the Track Record Period, our growth in sales volume was mainly attributable to the growth in our sales of “Superbee” products along with our growing brand recognition and the expansion of our “澳至尊” sales and distribution network. For the year ended 31 March 2016, the growth in sales volume was further driven by the increasing popularity of low retail price products under “Superbee”, including some other Australian honey products with different flavours and propolis candies despite the sluggish market conditions across the retail sector in Hong Kong.

(ii) Analysis of the average selling price of honey and pollen products

The average selling price of honey and pollen products was approximately HK\$173.3 and HK\$155.6 and HK\$147.0 per unit for the three years ended 31 March 2016 respectively. The decrease in average selling price of our overall honey and pollen products for the three years ended 31 March 2016 was attributable to (i) the increase in discounts and promotions of our products, benefiting from the drop in our purchasing costs of inventories as a result of the depreciation of Australian dollars, and responding to the sluggish market conditions across the retail sector in Hong Kong; and (ii) the increase in sales of honey and pollen products via our self-operated specialty stores, where we generally had higher flexibility to offer more discounts and promotions on sales of certain products, including some other Australian honey products with different flavors and propolis candies at lower retail prices. For the analysis of sales via our specialty stores, please refer to the section “Financial Information — 澳至尊 Specialty Stores” in this prospectus.

Personal care products

Our Group mainly sells and distributes personal care products under the “Golden Hive”, “Organic Nature” and “Top Life” brands, supplied by our brand proprietors from Australia. Some of these personal care products, such as facial cleanser, propolis toothpaste and emu oil are produced with an addition of natural elements which correlate with our Group’s healthy and natural image.

For the three years ended 31 March 2016, our personal care products represent approximately 1.8%, 2.6% and 3.0% of our overall revenue respectively. For the year ended 31 March 2015, the relatively more rapid growth in share of revenue derived from our personal care products, as compared to the growth of our health supplement products, was mainly attributable to our increasing marketing

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and promotional activities and the expansion of our “澳至尊” sales and distribution network. In particular, our Directors believe that the setting up of our self-operated specialty stores have provided additional platforms and shop experience for our customers to explore other types of products that were also managed by us, benefiting from the extensive customer base of our health supplements products.

(i) Analysis of the sales volume of personal care products

Our overall sales volume of personal care products were approximately 45,000 units, 39,000 units and 37,000 units for the three years ended 31 March 2016 respectively. For the year ended 31 March 2015 and 2016, the drop in sales volume was the net effect of: (i) the cessation of importing facial mask products in 2015 in view of the low efficiency in selling low retail prices products and our corporate strategy to concentrate in managing products sourced in Australia; (ii) the increase in discounts and promotions of our personal care products, benefiting from the drop in our purchasing costs of inventories as a result of the depreciation of Australian dollars, and responding to the sluggish market conditions across the retail sector in Hong Kong; and (iii) the growth in sales of our personal care products via our specialty stores, where we generally had higher flexibility to offer more discounts and promotions on the sale of certain products. For the analysis of our sales via our specialty stores, please refer to the section headed “Financial Information — 澳至尊 Specialty Stores” in this prospectus.

(ii) Analysis of the average selling price of personal care products

The average selling price of personal care products was approximately HK\$78.3, HK\$151.4 and HK\$169.3 per unit for the three years ended 31 March 2016 respectively. For the three years ended 31 March 2016, the increase in the average selling price of our personal care products was the net effect of: (i) the cessation of importing facial mask products under other brands in view of the low efficiency in selling low retail prices products and our corporate strategy to concentrate in managing products sourced in Australia; and (ii) the increased sales and gross profit margin of our personal care products under “Golden Hive” brand, being the major brand of our personal care products during the Track Record Period.

Revenue by product brands managed by our Group

Our Group’s products were mainly sold under three Australian brands, namely “Organic Nature” brand, “Top Life” brand and “Superbee” brand.

The following table sets forth a breakdown of our revenue by the brands managed by our Group for the Track Record Period:

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Organic Nature	152,984	78.3	181,355	80.3	170,728	81.0
Top Life	35,810	18.3	34,220	15.2	28,261	13.4
Superbee	4,158	2.1	6,223	2.8	7,203	3.4
Others	2,509	1.3	3,990	1.7	4,648	2.2
Total	<u>195,461</u>	<u>100</u>	<u>225,788</u>	<u>100</u>	<u>210,840</u>	<u>100</u>

Note: Others include Golden Hive and another brand, which are also managed by our Group.

The sales derived from Golden Hive was approximately HK\$2.1 million, HK\$3.9 million and HK\$4.6 million for the three years ended 31 March 2016 respectively, which accounted for 1.1%, 1.7% and 2.2% of the overall revenue of our Group for the respective years.

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The following table sets forth a summary of the sales volume and average selling price of the three major brands managed by us by revenue for the three years ended 31 March 2016:

	For the year ended 31 March					
	2014		2015		2016	
	total sales volume	% of total sales volume	total sales volume	% of total sales volume	total sales volume	% of total sales volume
Sales volume						
<i>(approximate unit)</i>						
Organic Nature	264,000	66.8	366,000	72.5	420,000	74.7
Top Life	74,000	18.7	81,000	16.0	75,000	13.4
Superbee	24,000	6.1	40,000	7.9	49,000	8.7
Average selling price						
<i>(HK\$/unit)</i>						
Organic Nature	579.5		495.5		406.5	
Top Life	483.9		422.5		376.8	
Superbee	173.3		155.6		147.0	

Note: Each unit is equivalent to a package of our product.

We have sold our health and personal care products under a variety of brand names, which were mainly derived from the sales of the three Australian brands managed by us during the Track Record Period, namely “Organic Nature”, “Top Life” and “Superbee”.

The total sales volume represents the aggregate number of package sold and the average selling prices per package are simply an overall indicator determined by the aggregate sales volume of different mix of the products during the year.

Each package of product might be different in the specific product nature, retail price, and number of product unit per package. For instance, our travel size package of our various products are smaller in size and have lower retail price, the increased sales of these travel size products will lead to an increased in sales volume by unit package but a drop in average selling price by unit package.

Organic Nature

Our “Organic Nature” brand consists of health supplement products and, to a lesser extent, personal care products. Since our establishment, “Organic Nature” has been the best selling brand managed by our Group, and most products of which are now marketed and packaged with the Chinese characters of “澳至尊”, labeling as the flagship products under our “澳至尊” sales network. During the Track Record Period, a majority of our revenue was derived from our “Organic Nature” products, which accounted for HK\$153.0 million, HK\$181.4 million and HK\$170.7 million for the three years ended 31 March 2016 respectively, representing approximately 78.3%, 80.3% and 81.0% of our overall revenue for the respective years. The overall increasing trend in sales of our “Organic Nature” products for the three years ended 31 March 2016 was mainly attributable to the net off effect from the increase in volume of sales and an downward trend in the average selling price of which during the years.

Analysis of sales volume of “Organic Nature” products

Our overall sales volume of “Organic Nature” products was approximately 264,000 units, 366,000 units and 420,000 units for the three years ended 31 March 2016 respectively. The significant growth in overall sales volume for the respective years was mainly attributable to the growth in our sales along with our increasing marketing and promotional activities and the expansion of our “澳至尊” sales and

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distribution network. For instance, our Group significantly increased the sales of travel size package of our various products, which are smaller in size and quantity and have lower retail price, via our various promotional events in order to boost our overall sales over the Track Record Period. Please refer to the section headed “Financial Information — Health supplement products — (i) Analysis of sales volume of health supplement products” for more details. Our Directors considered that the stimulative effect which were partially offset by the sluggish market conditions across the retail sector in Hong Kong and the depreciation in RMB against HKD.

Analysis of the average selling price of “Organic Nature” products

The average selling price of “Organic Nature” products were approximately HK\$579.5, HK\$495.5 and HK\$406.5 per unit for the three year ended 31 March 2016 respectively. Our Directors considered that overall drop in the average selling price during the Track Record Period was mainly attributable to: (i) the increase in discounts and promotions of our products, benefiting from the drop in our purchasing costs of inventories as a result of the depreciation of Australian dollars, and responding to the sluggish market conditions across the retail sector in Hong Kong; and, (ii) the increase in the sale of “Organic Nature” products via our self-operated specialty stores, where we generally had higher flexibility to offer more discounts and promotions on the sale of certain products, including some relatively slow-moving products and products at lower retail price. For instance, our Group significantly increased the sales of our travel size package of various types of products, which are smaller in size and quantity and have lower retail price, via our various promotion events in order to boost our overall sales over the Track Record Period (for the analysis of average selling price of health supplements, please refer to the section headed “Financial Information — Health supplement products — (ii) Analysis of the average selling price of health supplements”). For the analysis of our sales via specialty stores, please refer to the section “Financial Information — 澳至尊 Specialty Stores” in this prospectus.

Top Life

Our “Top Life” brand mainly consists of health supplement products and, to a lesser extent, personal care products which are mainly sourced from Australia. During the Track Record Period, our revenue derived from the brand “Top Life” were approximately HK\$35.8 million, HK\$34.2 million and HK\$28.3 million during the three years ended 31 March 2016 and accounting for approximately 18.3%, 15.2% and 13.4% of our overall revenue for the respective years. During the Track Record Period, our share of overall revenue derived from our “Top Life” products recorded a downward trend. During the Track Record Period such drops were in line with the drop in the revenue derived from our “Top Life” products mainly due to the relatively rapid drop in our average selling price despite the increase in sales volume for the year ended 31 March 2015.

Analysis of sales volume of “Top Life” products

Our overall sales volume of “Top Life” products were approximately 74,000 units, 81,000 units and 75,000 units for the three years ended 31 March 2016. For the year ended 31 March 2015, the growth in sales volume was mainly attributable to the growing brand recognition and expansion of our distribution network. The growth was also driven by (i) the increase in discounts and promotions of our products, benefiting from the drop in our purchasing costs of inventories as a result of the depreciation of Australian dollars, and responding to the sluggish market conditions across the retail sector in Hong Kong due to the decrease in the mainland Chinese visitors to Hong Kong; and (ii) the growth in sales of our “Top Life” products via our specialty stores, where we generally had higher flexibility to offer more discounts and promotions on the sale of certain products. For the analysis of our sales via specialty stores, please refer to the section headed “Financial Information — 澳至尊 Specialty Stores” in this prospectus. For the year ended 31 March 2016, the drop in sales volume of “Top Life” products was mainly due to the dissolution of Truth & Faith (Shenzhen) in May 2015, which sold mainly “Top Life” products before its dissolution.

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Analysis of the average selling price of “Top Life” products

The average selling price of “Top Life” products was approximately HK\$483.9, HK\$422.5 and HK\$376.8 per unit for the three years ended 31 March 2016 respectively. Such drop was mainly attributable to (i) the increase in discounts and promotions of our products, benefiting from the drop in our purchasing costs of inventories as a result of the depreciation of Australian dollars, in response to the sluggish market conditions across the retail sector in Hong Kong; and (ii) the increase in sales of “Top Life” products via our self-operated specialty stores, where we generally had higher flexibility to offer more discounts and promotions on sales of certain products, including some relatively slow-moving products and products at lower retail price. For the analysis of our sales via specialty stores, please refer to the section “Financial Information — 澳至尊 Specialty Stores” in this prospectus.

Superbee

Our “Superbee” brand mainly consists of honey and pollen products which are mainly manufactured in Australia. During the Track Record Period, our revenue derived from the brand “Superbee” were approximately HK\$4.2 million, HK\$6.2 million and HK\$7.2 million accounted for approximately 2.1%, 2.8% and 3.4% of revenue during the three years ended 31 March 2016. Our share of overall revenue derived from the sales of “Superbee” products recorded an upward trend as our “Superbee” had a stronger growth in revenue than the other brands during the Track Record Period.

Analysis of sales volume of “Superbee” products

All of our honey and pollen products are sold under the brand “Superbee”. For our analysis of sales volume of “Superbee” products, please refer to the paragraph headed “Financial Information — Analysis of the sales volume of honey and pollen products” in this Prospectus.

Analysis of the average selling price of “Superbee” products

All of our honey and pollen products are under the brand “Superbee”. For our analysis of the average selling price of “Superbee” products, please refer to “Financial Information — Analysis of the average selling price of honey and pollen products” in this Prospectus.

Revenue by sales channels

A majority of our sales was made through consignment stores during the Track Record Period. The following table sets forth a breakdown of our revenue by sales channels for the Track Record Period:

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Specialty stores	15,920	8.1	34,425	15.2	33,806	16.0
Consignment stores	174,155	89.1	176,806	78.3	159,110	75.5
Other sales channels (Note) . . .	5,386	2.8	14,557	6.5	17,924	8.5
Total	195,461	100	225,788	100	210,840	100

Note: Other sales channels include online sales at our website, online shopping platforms in China, distribution in Singapore by exclusive distributor and sales at trade fairs and exhibitions.

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Revenue by product types and sales channels

	For the year ended 31 March					
	2014		2015		2016	
	HK'000	%	HK'000	%	HK'000	%
<i>Health Supplement</i>						
— Specialty stores	14,164	7.2	31,009	13.7	30,582	14.5
— Consignment stores	168,570	86.2	168,953	74.8	150,516	71.4
— Other sales channels (Note)	5,047	2.7	13,699	6.1	16,275	7.7
Sub-total	187,781	96.1	213,661	94.6	197,373	93.6
<i>Honey and pollen</i>						
— Specialty stores	1,146	0.6	2,225	1.0	2,348	1.1
— Consignment stores	2,741	1.4	3,245	1.5	3,374	1.6
— Other sales channels (Note)	271	0.1	753	0.3	1,481	0.7
Sub-total	4,158	2.1	6,223	2.8	7,203	3.4
<i>Personal Care</i>						
— Specialty stores	610	0.3	1,191	0.5	876	0.4
— Consignment stores	2,844	1.5	4,608	2.0	5,220	2.5
— Other sales channels (Note)	68	0.0	105	0.1	168	0.1
Sub-total	3,522	1.8	5,904	2.6	6,264	3.0
Total	195,461	100	225,788	100	210,840	100

Note: Other sales channels include online sales at our website, online shopping platforms in China, distribution in Singapore by exclusive distributor and sales at trade fairs and exhibitions.

The following table sets forth a summary of the sales volume and average selling price of the three major sales channels managed by us by revenue for the three years ended 31 March 2016:

	For the year ended 31 March					
	2014		2015		2016	
	% of sales volume	%	% of sales volume	%	% of sales volume	%
Sales volume (approximate unit)						
Specialty stores	61,000	15.4	109,000	21.6	123,000	21.9
Consignment stores	311,000	78.7	338,000	66.9	361,000	64.2
Other sales channels (Note)	23,000	5.9	58,000	11.5	78,000	13.9
Average selling price (HK\$/unit)						
Specialty stores	261.0		315.8		274.8	
Consignment stores	560.0		523.1		440.7	
Other sales channels (Note)	234.2		251.0		229.8	

Note: Each unit is equivalent to a package of our product.

Other sales channels include online sales at our website, online shopping platforms in China, distribution in Singapore by exclusive distributor and sales at trade fairs and exhibitions.

Our Group has established a multi-channel “澳至尊” sales and distribution network which are broadly classified into three major sales channels as follows: (i) specialty stores; (ii) consignment stores; and (iii) other sales channels. In light of our increasing marketing and promotion activities and the expansion of our “澳至尊” sales and distribution network, we have achieved significant growth in revenue derived from each of the three sales channels respectively for the two years ended 31 March

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2015. For the year ended 31 March 2016, despite our brands promotional activities remained strong, the slight decrease in our sales revenue was mainly due to sluggish market conditions across the retail sector in Hong Kong, the “Occupy Central” protest from end of September 2014 to December 2014 and the “Anti-parallel Trading Protests” in the first quarter of 2015. In particular, our Group’s quality products, which were mostly manufactured in Australia and distributed in Hong Kong, have been well-recognised and regarded as popular products in demand among mainland Chinese visitors to Hong Kong. Our Directors considered that the abovementioned circumstances had adversely impacted the sales of our Group’s products along with the slowdown of the number of the mainland Chinese tourists to Hong Kong.

“澳至尊” Specialty Stores

Since the grand opening of our first self-operated specialty store in Hong Kong in September 2012, we have strategically expanded the coverage of our own stores which are mostly located in MTR stations in view of the high pedestrian flow. The revenue derived from the sales via our self-operated specialty stores were approximately HK\$15.9 million, HK\$34.4 million, and HK\$33.8 million for the three years ended 31 March 2016, accounting for approximately 8.1%, 15.2%, and 16.0% of our overall revenue for the respective years. The increasing revenue as well as the increase in share of our overall revenue derived from the sales via our specialty stores during the Track Record Period were principally attributable to (i) the growth in our sales along with the setting up of our strategically located specialty stores; and (ii) the growing brand recognition of our Group. In particular, our Directors believed that the setting up of our self-operated specialty stores have provided additional platforms and shop experience for our customers to explore other types of products that were also managed by us, benefiting from the extensive customers base of our health supplements products. We generally had higher flexibility in self-operated specialty stores to offer more discounts and promotion on sales of certain products, including some relatively slow-moving products and products at lower retail price products, as compared to our strategy of mainly selling high margin and/or high retail price products via consignment stores. During the Track Record Period, our Group had been more likely to offer discounts and promotions on certain products sold via our specialty stores to our customers who had our membership.

For the three years ended 31 March 2016, we have operated a network of 11, 15, 13 specialty stores respectively. As at the Latest Practicable Date, we had 12 specialty stores covering different districts in Hong Kong and one specialty store in Macau.

(i) *Analysis of sales volume via specialty stores*

Our overall sales volume in specialty stores was approximately 61,000 units, 109,000 units and 123,000 units for the three years ended 31 March 2016 respectively. The significant growth in overall sales volume for the respective years was mainly attributable to the growth in our sales via specialty with our increasing marketing and promotion activities and the increasing number of specialty stores. For instance, our Group significantly increased the sales of our “Organic Nature” products of travel size package, which are smaller in size and quantity and have lower retail price, via our various promotion events in order to boost our overall sales over the Track Record Period.

(ii) *Analysis of the average selling price via specialty stores*

The average selling price via specialty stores were approximately HK\$261.0, HK\$315.8, and HK\$274.8 per unit for the three years ended 31 March 2016 respectively. For the year ended 31 March 2015, our average selling prices derived from sales via specialty stores increased as we have significantly reduced the sales of low retail prices personal care products and increased our sales derived from health supplements products. For the year ended 31 March 2016, the drop in our average selling price via specialty stores was attributable to the increase in discounts and promotion of our products, benefiting from the drop in our purchasing costs of inventories as a result of the depreciation

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of Australian dollars, and responding to the sluggish market conditions across the retail sector in Hong Kong. Our Group also significantly increased the sales of our “Organic Nature” products of travel size package, which are smaller in size and quantity and have lower retail price, via our various promotional events in order to boost our overall sales over the Track Record Period. Please refer to the section headed “Financial Information — Health supplement — (ii) Analysis of the average selling price of health supplement products” for more details.

Consignment Stores

During the Track Record Period, we rely on sales via our consignment stores, which accounted for over 75% of our total revenue. Our consignee stores include a major health care product retail chain, a major cosmetic product retail chain in Hong Kong, department stores and supermarkets. Through the collaboration with our consignees, we are able to leverage on the consignee stores’ high pedestrian flow and allow us to expand our sales network without incurring the time and cost required for opening our own specialty store. Considering the limited space of shelves and the restricted size of sales counters at different consignee stores as well as the consignment expenses charged on our sales, our Group generally focused more on certain products at higher margins and/or higher retail price whilst the product varieties available to our retail consumers might be limited. It has been our Group’s strategy to continue to develop our sales network via both specialty stores and consignment stores to balance out our reliance on consignment sales. Our revenue derived from sales via consignment sales were approximately HK\$174.2 million, HK\$176.8 million and HK\$159.1 million for the three years ended 31 March 2016, accounting for approximately 89.1%, 78.3% and 75.5% of our overall revenue for the respective years. Despite a substantial growth in our revenue via consignment sales were recognised during the year, a decreasing trend in the share of overall revenue derived from our consignment sales noted in light of the relatively more rapid growth in sales via our specialty stores. For the year ended 31 March 2016, our sales via our consignees’ stores slowed down which was mainly attributable to the impact of the sluggish market condition in Hong Kong, in addition to the decrease in mainland Chinese tourists since the couples of anti-mainlander protests in Hong Kong and the depreciation of RMB.

At the Latest Practicable Date, we operated 67 sales counters in Hong Kong and eight in Macau in the retail stores of our consignees.

(i) Analysis of sales volume via consignment sales

Our overall sales volume in consignment sale was approximately 311,000 units, 338,000 units, and 361,000 units for the three years ended 31 March 2016. The significant growth in overall sales volume for the respective years was mainly attributable to the growth in sales of our health supplement products in our consignment sales along with our increasing marketing and promotion activities and the increasing number of sales counters. Please refer to the section headed “Financial Information — Health supplement products — (i) Analysis of sales volume of health supplement products” for more details.

(ii) Analysis of the average selling price via consignment sales

The average selling price in consignment sales were approximately HK\$560.0, HK\$523.1 and HK\$440.7 per unit. For the three years ended 31 March 2016 respectively, the drop in average selling price via consignment sales was mainly driven by the decrease in the average selling price of our health supplement products (for the analysis of average selling price of health supplement products, please refer to the section headed “Financial Information — Health supplement products — (ii) Analysis of the average selling price of health supplement products”), which was mainly attributable to: (i) the increase in discounts and promotion of our products, benefiting from the drop in our purchasing costs of inventories as a result of the depreciation of Australian dollars; and (ii) responding to the sluggish market conditions across the retail sector in Hong Kong.

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Other Sales Channels

During the Track Record Period, our Group also derived sales via sales channels which include wholesale sales to individual and chain retailers, direct sales at exhibitions and trade fairs, online shopping platforms in China and online sales through our own website and distribution sales in Singapore via an exclusive distributor. Considering that our sales to such channels mainly relied on the distributor's own distribution network and generally incurred minimal selling and distribution expenses, our Group generally offered our individual and chain retailers a considerable bulk-buy discount in order to capture a larger market share, which was not covered by our consignment and specialty store network. The revenue derived from our sales via our other sales channels were approximately HK\$5.4 million, HK\$14.6 million and HK\$17.9 million, accounting for approximately 2.8%, 6.5% and 8.5% of our overall revenue for the three years ended 31 March 2016. For the year ended 31 March 2015, we have recorded a significant growth in sales via other sales channels mainly because: (i) our sales in exhibitions and trade fairs in Hong Kong doubled from approximately HK\$2.2 million to HK\$4.6 million; and (ii) the increase in sales mainly derived from two of our wholesalers in Macau for approximately HK\$5.7 million. For the year ended 31 March 2016, the increase in sales via our other sales channels was derived from the significant purchase orders from a new Hong Kong wholesaler and an existing Macau wholesaler.

(i) Analysis of sales volume via other sales channels

Our overall sales volume in other sales channels was approximately 23,000 units, 58,000 units, and 78,000 units for the three years ended 31 March 2016. During the Track Record Period, the overall growth in sales via other sales channels was mainly driven by (i) the growth of the sales of our health supplement products; and (ii) the growth in the sales via our Macau wholesalers.

(ii) Analysis of the average selling price via other sales channels

The average selling price via other sales channels were approximately HK\$234.2, HK\$251.0 and HK\$229.8 per unit for the three years ended 31 March 2016 respectively. For the years ended 31 March 2015, the increase in average selling price via other sales channels was mostly driven by the growth in sales of our health supplement products with higher retail price and we reduced the sales of low retail price personal care products. For the year ended 31 March 2016, the drop in average selling price via other sales channels was mainly driven by the growth in sales of our lower retail price honey and pollen products, including Australian honey products and propolis candies.

Revenue by geographic locations

	For the year ended 31 March					
	2014		2015		2016	
	HK\$000	%	HK\$000	%	HK\$000	%
Hong Kong	184,153	94.2	200,516	88.8	185,944	88.2
Macau	9,751	5.0	22,962	10.2	23,830	11.3
Singapore	153	0.1	847	0.4	1,021	0.5
Mainland China	1,404	0.7	1,463	0.6	45	0.0
Total	<u>195,461</u>	<u>100</u>	<u>225,788</u>	<u>100</u>	<u>210,840</u>	<u>100</u>

Since our establishment, our overall revenue was predominantly derived from our sales in Hong Kong market, which had accounted for over 85% of our overall sales during the Track Record Period. Our Group had also undergone attempts in expanding our sales network in Macau, Singapore and the PRC respectively via our multi-channel “澳至尊” sales and distribution network. While our management team continued to promote our brands in Hong Kong, our revenue derived from Hong Kong accounted for approximately 94.2%, 88.8% and 88.2% of our overall sales for the three years ended 31 March

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2016. On the other hand, our revenue generated outside Hong Kong remained small and accounted for approximately 5.8%, 11.2% and 11.8% for the three years ended 31 March 2016. The increase in sales outside Hong Kong was mainly attributable to our revenue derived from the sales to our Macau customers which accounted for revenue of approximately HK\$9.8 million, HK\$23.0 million and HK\$23.8 million for the three years ended 31 March 2016. Our revenue derived from Macau was mainly attributable to: (i) the continuous sales derived from our consignees based in Hong Kong who also had presence in Macau and the PRC; (ii) the set-up of first self-operated specialty store in Macau in April 2014; and (iii) sales to two of our wholesalers from Macau. Our sales to Singapore and the PRC remained immaterial to our Group, where the sales from these geographic location decreased significantly as we ceased our operation of specialty stores in the PRC in May 2015 and Singapore in August 2015. For the year ended 31 March 2016, we sought to capture the PRC and Singapore markets via online shopping platforms and sales of distributorship in Singapore, respectively.

Cost of sales

Our cost of sales were approximately HK\$31.8 million, HK\$35.9 million and HK\$30.5 million for the three years ended 31 March 2016 which mainly represented the cost of inventories sourced from our brand proprietors. While the amount of which was largely depending on the volume of our sales during the year, the fluctuation of our cost during the year was also attributable to a series of market conditions, including the supply, cost and availability of raw materials of our inventories — ingredients of which were mainly extracted from natural resources including plants and animals, the inflation of labour costs in Australia as well as the change of exchange rate of Australian dollars being the transactional currency of our inventories. During the Track Record Period, the slight increase in our overall cost of inventories for the year ended 31 March 2015 was the net effect of the significant growth in revenue and the drop in purchase cost of our inventories due to the notable depreciation in Australian dollars against Hong Kong dollars. With our revenue remained stable for the year ended 31 March 2016, our Directors believe the drop in cost of sales were mainly attributable to the drop in the purchasing cost of our inventories due to the notable depreciation in Australian dollars since August 2014. Such effect to our cost of inventories was most significant for the year ended 31 March 2016 as a result of our FIFO inventory policy since our inventories acquired at relatively lower cost from our Australian brand proprietors were sold the most during the year.

Gross profit and gross profit margin

Gross profit represents the excess of turnover over cost of sales. The following tables set forth a summary of gross profit and gross profit margin by (i) product types; (ii) by brands; and (iii) sales channels, respectively:

(i) *Gross profit and gross profit margin by product types*

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	Margin %	HK\$'000	Margin %	HK\$'000	Margin %
Gross profit by product types						
Health supplement	158,408	84.4	181,026	84.7	170,248	86.3
Honey and pollen	2,635	63.4	4,199	67.5	4,846	67.3
Personal care	2,637	74.9	4,639	78.6	5,248	83.8
Total	<u>163,680</u>	<u>83.7</u>	<u>189,864</u>	<u>84.1</u>	<u>180,342</u>	<u>85.5</u>

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(ii) *Gross profit and gross profit margin by brands*

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	Margin%	HK\$'000	Margin%	HK\$'000	Margin%
Gross profit by brands						
— Organic Nature	128,635	84.1	153,282	84.5	146,768	86.0
— Top Life	30,434	85.0	29,108	85.1	24,648	87.2
— Superbee	2,635	63.4	4,199	67.5	4,846	67.3
— Others	1,976	78.7	3,275	82.1	4,080	87.8
Total	163,680	83.7	189,864	84.1	180,342	85.5

Note: Others include Golden Hive and another brand, which are also managed by our Group.

(iii) *Gross profit and gross profit margin by sales channels*

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	Margin%	HK\$'000	Margin%	HK\$'000	Margin%
Gross profit by sales channels						
— Specialty stores	12,820	80.5	28,002	81.3	28,512	84.3
— Consignment stores	147,049	84.4	151,462	85.7	138,715	87.2
— Other sales channels	3,811	70.8	10,400	71.4	13,115	73.2
Total	163,680	83.7	189,864	84.1	180,342	85.5

Note: Other sales channels include online sales at our website, online shopping platforms in China, distribution in Singapore by exclusive distributor and sales at trade fairs and exhibitions.

The overall gross profit of our Group was mainly driven by our health supplement products which generally accounted for over 90% of our gross profit during the Track Record Period. For the three years ended 31 March 2016, our overall gross profit were approximately HK\$163.7 million, HK\$189.9 million and HK\$180.3 million respectively. For the three years ended 31 March 2016, the change in our overall gross profit was mainly in line with the movement of our overall revenue. Our overall gross profit increased by approximately 16.0% for the year ended 31 March 2015 and decreased slightly by approximately 5.0% for the year ended 31 March 2016.

We maintain a suggested retail price list which applies among our “澳至尊” sales and distribution retail channels in the particular region. Our consignees, wholesalers, retailers and online shopping platforms have to adhere to the suggested price list or allowed are a certain percentage of discount as agreed according to the terms of agreement. Our Group offers a wide selection of products of different nature from each of the brand managed by us in different sales channel. The total sales volume represents the aggregate number of package sold and the average selling prices per package are simply an overall indicator determined by the aggregate sales volume of different mix of the products during the year.

Each package of product might be different in the specific product nature, retail price and number of product unit per package. The change of the total sales volume and average selling price is attributable to: (i) the change in selling prices of each product; and (ii) the change in mix of the sales volume of each of our products. During the Track Record Period a significant increase in sales of products of low retail price, such as increased sales volume of travel size package of our various products (from approximately 13,000 units, 18,000 units to 49,000 units for the three years ended 31 March 2016 respectively), might lead to (i) an increase in sales volume by unit per package; and (ii) a

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drop in the average selling price by unit per package. However, the impact of which to the overall revenue of our Group is considered immaterial given that the travel size package products are of smaller size and quantity and have low retail price. For our detailed analysis of the average selling price and sales volume of our products, please refer to the section “Financial Information — Revenue” in this prospectus. As the overall revenue contribution, cost of sales and gross profit of these products are very immaterial to our Group during the Track Record Period and the gross profit margin of which are comparables or even higher than our other major products, the impacts of the overall decreasing trend in average selling price and the overall increasing sales volume of our product to the overall gross profit and gross profit margin of our Group are considered not significant.

We adopt a cost-plus pricing model and when determining the price, we take into account our customers’ acceptable range of product price based on our marketing analysis with respect to our consumer preferences and a number of other factors such as the product types, our brand recognition in the market, the cost of inventories, the market competitions on similar products, the trend in the consumer market. With a mix of different brands, different product types as well as different sales and sales channels in response to the ever changing market conditions, our Group was able to maintain an overall gross profit margin at over 80% during the Track Record Period. The relatively high gross profit margin during the Track Record Period was mainly attributable to (i) the mutual and complementary relationship with our brand proprietors which allow us to maintain a cost effective business model (please refer to the section headed “Business — Competitive Strength — stable exclusive distribution rights based on the mutual and complementary relationship with our suppliers”); and (ii) our ability to charge relatively high selling prices on the branded products managed by us (please refer to the section headed “Business — Competitive Strength — Multi-faceted marketing strategy and sales and distribution networks associated with the well recognised and trusted brand image of “澳至尊” attributing to our leading position in the health and personal care products market”). Our overall gross profit margin amounted to approximately 83.7%, 84.1% and 85.5% for each of the three years ended 31 March 2016, respectively. Our Directors believe that an improvement in gross profit margin derived from our products since August 2014 was mainly attributable to the drop in the purchasing cost of our inventories due to the notable depreciation in Australian dollars.

Each type of our products may be subject to different consumer market, to some extent, one different from another. The overall gross profit margin of our sales varies from the mix of products over the Track Record Period. Our health supplement products, being the flagship products of our Group which ranked among the top in the health supplement products market in Hong Kong, generally incurred higher margin than our other types of products under consumer markets of which our brand recognition were considered to be at the developing stage. For the three years ended 31 March 2016, our Group’s overall gross profit margin increased from approximately 83.7% to 85.5% which was driven by (i) the increase in profitability of our health supplement products for each of the years; (ii) the overall improvement in gross profit margin for our honey and pollen products from approximately 63.4% to 67.3% during the Track Record Period as well as (iii) the overall improvement of our gross profit margin of our personal care products from approximately 74.9% to 83.8% during the Track Record Period.

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Breakdown of gross profit and gross profit margin by product types and sales channels

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	Margin %	HK\$'000	Margin %	HK\$'000	Margin %
<i>Health Supplement</i>						
— Specialty stores	11,685	82.5	25,578	82.5	26,176	85.6
— Consignment stores	143,036	84.9	145,473	86.1	131,792	87.6
— Other sales channels	3,687	73.1	9,975	72.8	12,280	75.5
Sub-total	158,408	84.4	181,026	84.7	170,248	86.3
<i>Honey and Pollen</i>						
— Specialty stores	754	65.8	1,580	71.0	1,692	72.1
— Consignment stores	1,767	64.5	2,247	69.2	2,420	71.7
— Other sales channels	114	42.1	372	49.4	734	49.6
Sub-total	2,635	63.4	4,199	67.5	4,846	67.3
<i>Personal Care</i>						
— Specialty stores	381	62.5	844	70.9	644	73.5
— Consignment stores	2,246	79.0	3,742	81.2	4,503	86.3
— Other sales channels	10	14.7	53	50.5	101	60.1
Sub-total	2,637	74.9	4,639	78.6	5,248	83.8
Total	163,680	83.7	189,864	84.1	180,342	85.5

Breakdown of gross profit and gross profit margin by product types and brands

	For the year ended 31 March					
	2014		2015		2016	
	HK\$'000	Margin %	HK\$'000	Margin %	HK\$'000	Margin %
<i>Health Supplement</i>						
— Organic Nature	128,090	84.2	152,030	84.6	145,733	86.1
— Top Life	30,318	85.1	28,991	85.2	24,515	87.3
— Others	—	—	5	71.4	—	—
Sub-total	158,408	84.4	181,026	84.7	170,248	86.3
<i>Honey and Pollen</i>						
— Superbee	2,635	63.4	4,199	67.5	4,846	67.3
Sub-total	2,635	63.4	4,199	67.5	4,846	67.3
<i>Personal Care</i>						
— Organic Nature	545	67.4	1,252	72.5	1,035	72.2
— Top Life	116	56.9	117	60.3	133	72.7
— Others	1,976	78.8	3,270	82.1	4,080	87.8
Sub-total	2,637	74.9	4,639	78.6	5,248	83.8
Total	163,680	83.7	189,864	84.1	180,342	85.5

Note: Others include Golden Hive and another brand, which are also managed by our Group.

(i) Analysis of gross profit margin of health supplements products

For the sales derived from our health supplement products, benefiting the most from our strong brand recognition in the health supplement industry and the consumer confidence on products manufactured in Australia, our profit margin of which generally maintained at over 80% during the Track Record Period. For the three years ended 31 March 2016, our gross profit margin derived from our health supplement products were approximately 84.4%, 84.7% and 86.3% respectively. The increasing trend of which during the Track Record Period was mainly driven by the growth in sales of our health supplement products under “Organic Nature” and “Top Life” brands via our consignment sales channels, being the major sales channel of our Group. Considering the limited space of shelf and the restricted size of sales counters at different consignee stores as well as the consignment expense charged on our

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sales, our Group generally focused more on certain products at higher margins and/or higher retail price to be sold via consignee stores, where our Group generally can sell our health supplement products at a relatively higher gross profit margin at over 80% during the Track Record Period. Our Directors believe that an improvement in gross profit margin derived from such products since August 2014 were mainly attributable to the drop in the purchasing cost of our inventories due to the notable depreciation in Australian dollars. Such effect to our margin was most significant to our gross profit margin for the year ended 31 March 2016 as a result of our FIFO inventory policy.

(ii) Analysis of gross profit margin of honey and pollen products

For the sales derived from our honey and pollen products, benefiting from customer's confidence on the strong brand recognition of our Group in Hong Kong and our honey and pollen products under "Superbee" brand which were manufactured in Australia, our profit margin of which generally maintained at over 60% during the Track Record Period. For the three years ended 31 March 2016, the gross profit margin derived from our honey and pollen products were approximately 63.4%, 67.5% and 67.3% respectively. The overall increasing trend of our gross margin for the year 31 March 2015 was mainly attributable to: (i) the drop in the purchasing cost of inventories due to the notable depreciation in Australian dollars; and (ii) the increased sales of honey and pollen products via our specialty stores, where customers were increasingly willing to purchase the variety of honey and pollen products selected by us including Australian honey products, with different flavour, other than New Zealand honey products, and that allowed rooms for higher margin. Our Directors believe that an improvement in gross profit margin derived from our such products since August 2014 were mainly attributable to the drop in the purchasing cost of our inventories due to the notable depreciation in Australian dollars. Such effect to our margin was most significant to our gross profit margin for the year ended 31 March 2016 as a result of our FIFO inventory policy.

(iii) Analysis of gross profit margin of personal care products

For our sales derived from our personal care products, benefiting from the customer's confidence on the strong brand recognition of our Group in Hong Kong and our Australian-made personal care products with its active ingredients mainly extracted from natural resources including plants and animals, our profit margin generally maintained at over 70% during the Track Record Period. For the three years ended 31 March 2016, our gross profit margin derived from our personal care products were approximately 74.9%, 78.6% and 83.8% respectively. The overall improvement of our gross profit margin of our personal care products rose from approximately 74.9% to 83.8% during the Track Record Period. The overall upward trend of which for the three years ended 31 March 2016 was mainly attributable to the increasing sales and gross profit margin of our personal care products under "Golden Hive" brand, being the major brand of our personal care products with higher margins sold via our consignment sales during the Track Record Period. Our Directors believe that an improvement in gross profit margin derived from such products since August 2014 were mainly attributable to the drop in the purchasing cost of our inventories due to the notable depreciation in Australian dollars. Such effect to our margin was most significant to our gross profit margin for the year ended 31 March 2016 as a result of our FIFO inventory policy.

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Other revenue and other net income

Other revenue and other net income which primarily consists of (i) bank interest income on bank deposits; and (ii) other exchange gain; and (iii) income generated from test selling of sample products remain immaterial to our Group during the Track Record Period.

Gain on disposal of a subsidiary

For the year ended 31 March 2016, Our Group had disposed of our Singapore subsidiary with a gain of approximately HK\$0.8 million. For details, refer to “History, Reorganisation and Corporate Structure — Disposal of Truth & Faith (Singapore)”.

Gain on dissolution of a subsidiary

For the year ended 31 March 2016, our Group had dissolved our PRC subsidiary with a gain of approximately HK\$10,000. For details, please refer to the section headed “History, Reorganisation and Corporate Structure — Dissolution of Truth & Faith (Shenzhen)” in this prospectus.

Selling and distribution expenses

Our selling and distribution expenses consists of: (i) consignment cost; (ii) specialty store cost; (iii) sales and marketing costs; and (iv) others. Our consignment cost, being the largest cost component of our Group, represents the costs paid to our consignees for shelf space and our sales counters under their chain retail stores network. Our specialty store cost represents the rental and other premise expenses and the depreciation of leasehold improvements for the set-up and maintenance of our self-operated specialty stores network during the Track Record Period. Our sales and marketing cost represents salaries and commissions to our sales staff, advertising and promotional expenses and exhibition expenses during the Track Record Period. Our selling and administrative expenses were approximately HK\$109.2 million, HK\$140.2 million and HK\$134.2 million for the three years ended 31 March 2016.

The table below sets forth, a breakdown of our selling and distribution expenses.

	For the year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Consignment expenses	76,847	78,231	70,736
Salaries and commissions	21,117	26,317	27,594
Advertising and promotion expenses	1,435	13,708	15,105
Rental and other premise expenses	8,449	18,910	18,201
Exhibition expenses	650	1,830	1,367
Others	747	1,172	1,232
	<u>109,245</u>	<u>140,168</u>	<u>134,235</u>

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General and administrative expenses

Our administrative expenses primarily consist of listing expenses, salaries and benefits (including director emolument), office rental and other premise expenses, communication expenses, bank charges and depreciation expenses. The following table sets out the breakdown of our administrative expenses by nature during the Track Record Period:

	For the year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Listing expenses	—	2,092	13,049
Salaries and benefits (Including Director emolument)	9,460	10,522	10,932
Office rental and other premise expenses.	784	2,012	1,750
Exchange loss	—	568	1,164
Bank charges.	389	773	683
Legal and professional fee	311	551	669
Legal settlement and compensation fee (<i>Note 1</i>) . .	—	1,428	—
Communication expenses	219	637	427
Depreciation	762	681	396
Donation	470	101	96
Travelling and entertainment	746	608	296
Others.	764	927	967
	<u>13,905</u>	<u>20,900</u>	<u>30,429</u>

Note 1: The legal settlement and compensation fee comprises compensation payment of approximately HK\$0.8 million for the early terminations of lease contract in Shenzhen as a result of the dissolution of Truth and Faith (Shenzhen) and the settlement amount of approximately HK\$0.6 million for six disputes in first quarter of 2015 on our product sold in the PRC. Please refer to the section headed “Business — litigation” in this prospectus for more information.

Finance costs

Finance costs represent interest expenses on bank borrowings, overdrafts and finance lease incurred during the Track Record Period. Bank borrowings was obtained by our Group for general working capital and financing the opening of new specialty stores. Interest on bank borrowings ranged from 3.1% below prime rate to Hong Kong Interbank Offer Rate (“HIBOR”) plus 3.5% per annum and with a term ranged from one year to 20 years. Furthermore, our Group purchased motor vehicles and entered into finance lease arrangement with financial institutions with lease terms of up to 5 years. The finance leases carry interest at the rate of 2.75% per annum.

Income tax

Our Group’s revenue during the Track Record Period was mainly derived in Hong Kong, Singapore, Macau and the PRC, and our Group was subject to profits tax in Hong Kong, Singapore, Macau and the PRC.

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Our Company and subsidiaries are incorporated in different jurisdictions, with different taxation requirements illustrated as follows:

Cayman Islands and the BVI

Pursuant to the applicable laws, rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any profits tax in the Cayman Islands and the BVI.

Hong Kong

All our Hong Kong subsidiaries were subject to Hong Kong profit tax at 16.5% during the Track Record Period.

Singapore

All our Singapore's operations were subject to Singapore corporate income profit tax at 17% during the Track Record Period.

Macau

All our Macau's operations were subject to Macau corporate income profit tax at 12% during the Track Record Period.

PRC

All our PRC's operations were subject to PRC corporate income profit tax at 25% during the Track Record Period.

The effective tax rates of our Group were approximately 16.3%, 20.4% and 26.2% for each of the three years ended 31 March 2016 respectively.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

For the two years ended 31 March 2016, our overall revenue dropped slightly by 6.6% from approximately HK\$225.8 million to HK\$210.8 million for the respective years.

Our Directors considered that the drop in our overall revenue was mainly attributable to the continuous impact of sluggish market across Hong Kong retail sector towards our sales, which also led to the slowdown in the expansion of our multi-channel “澳至尊” sales and distribution network in Hong Kong, despite our marketing and promotional activities remained strong.

Such drop was mainly driven by of the drop in sales of our health supplement products despite the continuous growth in sales derived from our other two types of products. The sales of our health supplement products dropped by approximately 7.6% from approximately HK\$213.7 million to HK\$197.4 million for the respective years. Such drop was mainly attributable to the drop in sales of our health supplement products via consignment sales along with the overall retail market. On the other hand, the sales of our honey and pollen products and personal care products of our Group increased by approximately 16.1% and 5.1% from approximately HK\$6.2 million and HK\$5.9 million to HK\$7.2 million and HK\$6.2 million for the respective years. Despite the continuous impact of the sluggish retail market

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in Hong Kong mentioned above, the increasing recognition of the brand image of “澳至尊” encourages the customers of our Group to explore other types of products that were also managed by us, benefiting the existing extensive customers base of our health supplements products. The growth in our sales was mainly attributable to the increasing popularity in sales derived respectively from one of our personal care products under “Golden Hive” brand via our consignment network and some of our honey and pollen products, such as Australian honey and honey comb under “Superbee” brand in other sales channels.

Cost of sales

Our overall cost of sales dropped by 15.0% from approximately HK\$35.9 million to approximately HK\$30.5 million for the two years ended 31 March 2016. Such drop was in line with the slight drop in our overall revenue for the respective years, further benefiting from the depreciations of Australia dollar since August 2014. While adopting a FIFO inventory policy, the cost of inventory sold of our Group had further decreased during the respective years.

Gross profit and gross profit margin

Our gross profit decreased by 5.0% from approximately HK\$189.9 million to HK\$180.3 million for the two years ended 31 March 2016. Such decrease was the net effect of (i) the aforementioned drop in our revenue for the respective year; and (ii) the continuous improvement of the overall gross profit margin. For the two years ended 31 March 2016, our overall gross profit margin further improved from approximately 84.1% to 85.5%, which was mainly attributable to the drop in the purchasing cost of our inventories due to the notable depreciation in Australian dollars. Such effect to our margin was most significant to our gross profit margin for the year ended 31 March 2016 as a result of our FIFO inventory policy. The slight increase in our overall gross profit margin for the respective years was mainly driven by the growth in our gross profit margins derived from our health supplement products and our personal care products from approximately 84.7% and 78.6% to 86.3% and 83.8% respectively. However, the gross profit margin of honey and pollen products remained stable and decreased slightly at approximately 67.5% and 67.3% for the two years ended 31 March 2016 as we increased the sales of which in other sales channels, where we generally provided more bulk buy discounts and had relatively lower gross margin. Please refer to the section head “Financial Information — Gross profit and gross profit margin — Breakdown of gross profit and gross profit margin by product types and sales channels” in this prospectus for further explanations of the fluctuation.

Selling and distribution expenses

Our selling and distribution expenses decreased from approximately HK\$140.2 million to HK\$134.2 million for the two years ended 31 March 2016, which was mainly attributable to net effect of (i) the decrease in consignment cost from approximately HK\$78.2 million to HK\$70.7 million, being in line with the drop in our sales via our consignment channels during the year; (ii) the slight decrease in our specialty stores cost from approximately HK\$18.9 million to HK\$18.2 million as a result of increment of the rents of our specialty stores being partially offset by the drop in our rents upon taking away five of our specialty stores during the years; and (iii) the increase in sales and marketing cost from approximately HK\$13.7 million to HK\$15.1 million mainly as a result of the increasing marketing expense, such as our television advertisement and contract for brand spokesperson and the increments in salaries to our sales staff since the year of 2015.

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General and administrative expenses

Our general and administrative expenses increased significantly from approximately HK\$20.9 million to HK\$30.4 million for the two years ended 31 March 2016, which was mainly attributable to (i) listing expense of HK\$13.0 million; and (ii) increase in exchange loss of HK\$0.6 million, despite of the drop in our office rental expense due to the termination of leases of our specialty shops and offices office in PRC.

Finance costs

Our finance costs increased from approximately HK\$207,000 to HK\$441,000 for the two years ended 31 March 2016 which was as a result of the higher level of bank borrowing during the year. Please refer to section head “Financial Information — Bank borrowings” in this prospectus for details of the prospectus.

Taxation

The effective tax rates for the two years ended 31 March 2016 were approximately 20.4% and 26.2% respectively. The increase in effective tax rate was mainly due to the recognition of the listing expenses of HK\$13.0 million for the year ended 31 March 2016, which was not deductible for tax purpose.

Net profit for the year and net profit margin

For the year ended 31 March 2016, the net profit of our Group has dropped significantly from approximately HK\$23.2 million to HK\$12.3 million which was in line with the drop in our overall revenue during the respective year. Such drop in net profit was also attributable to the recognition of the listing expenses of HK\$13.0 million for the year ended 31 March 2016. Due to the aforesaid reason, our net profit margin decreased significantly from approximately 10.3% to 5.8% for the respective years.

If our listing expenses were excluded, our Group’s adjusted net profit would remain stable at approximately HK\$25.3 million for the two years ended 31 March 2016 due to the net effect of the improvement in our gross profit margin, the decrease in our selling and distribution expenses and the drop in our revenue during the year.

Year ended 31 March 2015 compared to year ended 31 March 2014

Revenue

Our overall revenue surged by approximately 15.5% from approximately HK\$195.5 million for the year ended 31 March 2014 to approximately HK\$225.8 million for the year ended 31 March 2015. Despite the impact of anti-mainlander protests, in addition to the decrease in mainland Chinese visitors, the growth in our overall revenue remained strong as a result of the growth derived from the increase in sales of all three types of products. Our Directors believe such growth was mainly attributable to our growing brand recognition through our increasing of promotion and marketing activities and the expansion of “澳至尊” sales and distribution network despite the adverse impact of the decrease in mainland Chinese visitors since second half of the year ended 31 March 2015.

For the two years ended 31 March 2014 and 2015, the sales derived from our health supplement products increased by approximately 13.8% from approximately HK\$187.8 million to HK\$213.7 million. While the sales of our health supplement products via consignment sales remained stable, the growth of sales of our health supplement products was mainly driven by the significant growth from our sales via our specialty stores and other sales, as a result of: (i) the increase in sales derived from the eight

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additional self-operated specialty stores during the respective years; and (ii) the increase in sales from two of our wholesalers from Macau, accounting for sales of approximately HK\$5.7 million. On the other hand, our revenue derived from the sales of our honey and pollen products and personal care products which increased by approximately 47.6% and 68.6% from approximately HK\$4.2 million and HK\$3.5 million to HK\$6.2 million and HK\$5.9 million for the respective years. Along with our growing brand recognition, our Directors believe the growth in sales of our honey and pollen products and personal care products were also derived from the extensive customer base of our health supplement products as our self-operated specialty stores have provided additional platforms and shop experience for our customers to explore other products that were also managed by us.

Cost of sales

Our cost of sales increased by approximately 13.0% from approximately HK\$31.8 million for the year ended 31 March 2014 to approximately HK\$35.9 million for the year ended 31 March 2015. Such increase was in line with the approximately 15.5% growth in our overall revenue for the respective years partially offsetting by the drop in our costs of inventories sold as a result of the notable depreciation in Australian dollars since August 2014.

Gross profit and gross profit margin

Our gross profit increased by approximately 16.0% from approximately HK\$163.7 million for the year ended 31 March 2014 to approximately HK\$189.9 million for the year ended 31 March 2015 which was in line with our abovementioned growth in overall revenue and our improvement in gross profit margin. Our gross profit margin improved by approximately 0.4% from approximately 83.7% to 84.1% for the years ended 31 March 2014 and 2015. Such growth, which was brought by the improvement of the gross profit margins for each type of our products, was mainly attributable to the drop in our costs of our inventories sold due to the depreciation in Australian dollar since August 2014.

The growth in our health supplement products was mainly benefited from (i) the growth in both sales and profit margin from our sales via consignment stores, of which sales channel our management focused on selling more of health supplement products at relatively higher margins in view of limited consignment spaces and the consignment charges; and (ii) the growth in sales derived from our specialty stores where our health supplement products generally were sold at relatively higher margin, with gross profit margin remained stable at approximately 82.5% during the years. The growth in our honey and pollen products was mainly benefited from the net effect of (i) the growth in sales of our relatively higher margin products, such as, honey comb and Australian honey products. The growth in our personal care products was mainly derived from the growth in sales of our relatively higher margin products, under our “Golden Hive” brand.

Please refer to the section head “Financial Information — Discussion of certain key income statement items — Gross profit and gross profit margin — Gross profit by products types and sales channels” in this prospectus for further explanations of the fluctuation.

Selling and distribution expenses

Our selling and distribution expenses increased significantly by 28.4% from approximately HK\$109.2 million to HK\$140.2 million mainly attributable to our (i) increasing advertising and promotional expenses from HK\$1.4 million to HK\$13.7 million for the two years ended 31 March 2015 through television commercials, newspapers, magazines as well as engagement of artists to endorse the Group’s products as the spokesperson of our Group to enhance our brand awareness in the consumer market; (ii) increase in rental and other premise expenses from approximately HK\$8.4 million to approximately HK\$18.9 million for the two years end 31 March 2015 as a result of the rental and other

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premise expense on the six additional specialty stores during the year; and (iii) the increase in salaries and commission as well as consignment expenses, which were in line with the increased revenue during the respective years.

General and administrative expenses

Our administrative expenses increased by HK\$7.0 million from approximately HK\$13.9 million to HK\$20.9 million, which was mainly attributable to (i) listing expenses of approximately HK\$2.1 million; (ii) compensation payment of approximately HK\$0.8 million for the early termination of lease contract in Shenzhen as a result of dissolution of Truth and Faith (Shenzhen) and the settlement amount of approximately HK\$0.6 million for the six disputes during the first quarter of 2015 on our product sold in the PRC. Please refer to the section headed “Business — litigation” in this prospectus for more information; (iii) office rental and other premise expenses from approximately HK\$0.8 million to HK\$2.0 million for the respective years in leasing a new office in Hong Kong in February 2014 and the lease of our PRC office in July 2014; and (iv) exchange loss of HK\$0.6 million as a result of the depreciation in RMB.

Finance costs

Our finance cost increased by approximately HK\$0.1 million to HK\$0.2 million, which was mainly due to an increase in bank borrowing from approximately HK\$7.5 million to HK\$15.0 million.

For details of the bank loan, please refer to the section headed “Financial information — bank borrowings” in this prospectus.

Taxation

The effective tax rates for the years ended 31 March 2014 and 2015 were approximately 16.3% and 20.4% respectively. While majority of our income derived from Hong Kong with a profit tax rate at 16.5%, to a lesser extent, our income derived from Macau with a profit tax rate at 12.0%, such increase in effective tax rate was mainly due to the recognition of the listing expenses of HK\$2.1 million for the year ended 31 March 2015, which was not deductible for tax purpose.

Net profit for the year and net profit margin

As a result of the foregoing, our net profit decreased by 33.0% from approximately HK\$34.6 million for the year ended 31 March 2014 to approximately HK\$23.2 million for the year ended 31 March 2015, while our net profit margin slightly decreased from approximately 17.7% to 10.3% for the two years ended 31 March 2015. Such drop was mostly attributable to: (i) the increase in selling and distribution expenses and (ii) the listing expenses of HK\$2.1 million for the year.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our Group historically met our working capital and other capital requirements principally from cash flow generated from our operating activities, cash on hand and our bank loans.

The following table presents selected cash flow data from our consolidated cash flow statements for the period indicated:

	For the year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	22,896	19,584	8,963
Net cash (used in)/generated from investing activities	(1,561)	(3,596)	4,156
Net cash (used in) financing activities	(16,984)	(6,424)	(22,747)
Net increase/(decrease) in cash and cash equivalents	4,351	9,564	(9,628)
Effect of changes in foreign exchange rate	17	(38)	(4)
Cash and cash equivalents at the end of the year . .	31,761	41,287	31,655

Net cash flows generated from operating activities

Our Group mainly derived our cash flow from operating activities from the receipt of payment from our sales of products. Our Group's cash outflow from operating activities are principally the payment for our inventories.

For the year ended 31 March 2014, we generated net cash from operating activities of approximately HK\$22.9 million while our profit before income tax was approximately HK\$41.3 million. The difference was mainly attributable to (i) the cash outflow from the increase in trade and other receivables of approximately HK\$11.3 million primarily being deposits received for three contracts; (ii) the increase in inventories of approximately HK\$2.7 million; and (iii) the payment of Hong Kong tax of approximately HK\$6.0 million.

For the year ended 31 March 2015, we generated net cash from operating activities of approximately HK\$19.6 million while our profit before income tax has approximately HK\$29.1 million. The difference was mainly attributable to (i) the decrease in inventories of approximately HK\$1.2 million; (ii) increase in trade and other receivables of approximately HK\$5.6 million and (iii) the payment of Hong Kong tax of approximately HK\$8.6 million.

For the year ended 31 March 2016, we generated net cash from operating activities of approximately HK\$9.0 million while our profit before income tax was approximately HK\$16.7 million. The difference was mainly attributable to the payment of Hong Kong tax of approximately HK\$8.1 million.

Please refer to the section headed "Financial Information — Analysis of various items from the combined statements of financial position" in this prospectus for explanations of fluctuations of items mentioned above.

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Net cash flows generated from or used in investment activities

For the year ended 31 March 2014, we had net cash flow used in investment activities of approximately HK\$1.6 million, which was mainly attributable to the net effect of payment for the setting up and renovation of eight additional specialty stores of approximately HK\$2.0 million and the interest received of HK\$0.5 million.

For the year ended 31 March 2015, we had net cash flow used in investment activities of approximately HK\$3.6 million, which was mainly attributable to the net effect of the set up and renovation cost of the six additional specialty stores of approximately HK\$3.2 million and interest received of HK\$0.4 million.

For the year ended 31 March 2016, we had net cash flow generated from investment activities of approximately HK\$4.2 million, which was mainly attributable to net proceeds of the disposal of the office property owned by the Group to the Controlling Shareholder.

Net cash flows generated from or used in financing activities

For the year ended 31 March 2014, we had net cash flow used in financing activities of approximately HK\$17.0 million, which was mainly attributable to a dividend paid to the Controlling Shareholders of approximately HK\$22.6 million and repayment of bank loans of HK\$2.9 million and increase in amounts due to the Controlling Shareholders of HK\$0.4 million, while our Group has incurred proceeds from new bank loans of HK\$8.4 million.

For the year ended 31 March 2015, we had net cash flow used in financing activities of approximately HK\$6.4 million, which has mainly attributable to a dividend paid to the Controlling Shareholders of approximately HK\$8.0 million and repayment of bank loans of HK\$5.3 million while our Group has incurred proceeds from new bank loans of HK\$12.9 million.

For the year ended 31 March 2016, we had net cash flow used in financing activities of approximately HK\$22.7 million, which represented a dividend paid to the Controlling Shareholders of approximately HK\$20.7 million and the repayment of bank loans of approximately HK\$2.2 million.

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NET CURRENT ASSETS

Details of our Group's current assets and current liabilities as at 31 March 2014, 2015, 2016 and as at 31 May 2016 are as follows:

	As at 31 March			As at 31 May
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (Unaudited)
Current assets				
Inventories	12,760	11,387	9,825	12,082
Trade and other receivables . .	23,847	29,335	33,815	28,890
Amount due from a Controlling Shareholder	—	801	—	—
Amount due from a related company	—	38	—	—
Tax recoverable	—	—	617	315
Pledged bank deposits	504	509	794	—
Cash and cash equivalents . . .	31,761	41,287	31,655	39,042
	<u>68,872</u>	<u>83,357</u>	<u>76,706</u>	<u>80,329</u>
Current liabilities				
Trade and other payables	6,901	7,510	9,047	10,935
Dividend payables	18,003	10,000	—	—
Amounts due to Controlling Shareholders	8,283	2,706	—	—
Amount due to a related company	264	—	—	—
Bank borrowings	7,522	15,030	12,850	12,850
Obligations under finance leases	128	65	62	51
Provisions	—	153	317	317
Tax payable	5,984	3,296	—	—
	<u>47,085</u>	<u>38,760</u>	<u>22,276</u>	<u>24,153</u>
Net current assets	<u>21,787</u>	<u>44,597</u>	<u>54,430</u>	<u>56,176</u>

Our net current assets increased from approximately HK\$21.8 million as at 31 March 2014 to approximately HK\$44.6 million as at 31 March 2015. The increase was mainly due to the net profit of approximately HK\$23.2 million for the year ended 31 March 2015.

Our net current assets increased from approximately HK\$44.6 million as at 31 March 2015 to approximately HK\$54.4 million as at 31 March 2016. Such increase was mainly attributable to the net effect of: (i) the net profit of approximately HK\$12.3 million for the year ended 31 March 2016; (ii) the consideration of disposal of our office approximately HK\$4.3 million; (iii) the increase in prepayment of listing expenses of approximately HK\$2.5 million; and (iv) the declaration of dividend of approximately HK\$10.7 million for the year ended 31 March 2016.

Our net current assets increased from approximately HK\$54.4 million as at 31 March 2016 to approximately HK\$56.2 million as at 31 May 2016. The increase was mainly due to the net profit during the period.

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ANALYSIS OF VARIOUS ITEMS FROM THE COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Property, plant and equipment of our Group represent furniture and fixtures, leasehold land and buildings, leasehold improvement and motor vehicles. Set out below is the net book value of each type of property, plant and equipment of our Group as at 31 March 2014, 2015 and 2016:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Net carrying amount			
Furniture and fixtures	655	739	521
Leasehold land and buildings	4,962	4,834	559
Leasehold improvement	1,700	3,153	2,316
Motor vehicles	192	30	—
	<u>7,509</u>	<u>8,756</u>	<u>3,396</u>

During the Track Record Period, our Group's leasehold land and buildings mainly included our office and carpark situated in Hong Kong and are held on medium term lease. For the year ended 31 March 2016, our Group's office which was located in Office D on 17th Floor, EGL Tower, No. 83 Hung To Road, Kowloon (the "Property") was disposed in July 2015. For the year ended 31 March 2016, the decrease in amount of leasehold land and building was mainly attributable to the disposal of the office in July 2015 to the Controlling Shareholder at the basis of its carrying amount as our Group had already entered into a tenancy agreement for more spacious office in Office E on 28th Floor, EGL Tower, No. 83 Hung To Road, Kwun Tong, Kowloon in order to accommodate the continuously growing size of our Group.

The increase in carrying amount of property plant and equipment balance as at 31 March 2015 was mainly contributed by the increase in leasehold improvement and furniture and fixtures as a result of the setting up of our specialty stores by our Group during the relevant years.

During the year ended 31 March 2016, we have disposed 3 non performing specialty stores in Hong Kong and Singapore during the year. Our leasehold improvements decreased from approximately HK\$3.2 million to HK\$2.3 million.

Our Group acquired certain motor vehicle through finance lease. The carrying amount of two motor vehicle held under finance leases were approximately HK\$192,000, HK\$30,000 and nil for the three years ended 31 March 2016 respectively. Both of which were fully depreciated as of 31 March 2016.

Inventories

The inventories of our Group comprise finished goods. The following table sets forth a breakdown of inventory balances as at 31 March 2014, 2015 and 2016:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Inventories.	12,760	11,387	9,825

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The following sets the turnover days of the Group's inventories for the years below:

	As at 31 March		
	2014	2015	2016
Inventories turnover days (<i>Note</i>)	131.7 days	122.6 days	126.9 days

Note: The inventories turnover days were calculated using the average of the beginning and ending inventory balances of the year, divided by the cost of sales for the year and multiplied by number of days in the year.

Our management regularly monitors the inventory level in our specialty stores and warehouses through our ERP system, tracks inventory movement and sales progress and adjusts levels of inventory accordingly.

Our inventories decreased by approximately 10.8% from approximately HK\$12.8 million to approximately HK\$11.4 million as at 31 March 2015 and further decreased by approximately 13.7% to HK\$9.8 million as at 31 March 2016. Such continuous drop was mainly attributable to our Group's inventory forecast with respect to the sluggish market across the retail sector in Hong Kong in addition to the decrease in mainland Chinese visitors since the anti-mainlander protests and the depreciation in RMB. Therefore, along with the decreasing cost of our sales due to the depreciation of Australian dollars, our inventories turnover days appeared to have improved by decreasing to 122.6 days for the year ended 31 March 2015. While there were a few significant purchase orders from our wholesalers in third quarter of our financial year which has lowered our inventory level for the year ended 31 March 2016, our cost of sales decreased due to the depreciation of Australian dollars since August 2014. Such effect to our margin was most significant to our gross profit margin for the year ended 31 March 2016 as a result of our FIFO inventory policy. Therefore, a slight increase in our inventories turnover days to approximately 126.9 days for the year ended 31 March 2016.

Approximately HK\$5.4 million or 54.8% of our inventories as at 31 March 2016, had been subsequently sold up to 30 June 2016.

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Carrying amount of inventories sold	31,654	35,794	30,498
Write down of inventories	127	130	—
	31,781	35,924	30,498

The write-down of inventories made in the years ended 31 March 2014 and 2015 arose due to a decrease in the estimated net realisable value of certain inventories as a result of expired inventories in consignee's stores.

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Trade and other receivables

The following table sets forth a breakdown of our Group's trade and other receivables as at 31 March 2014, 2015 and 2016:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	18,220	24,003	25,196
Other receivables	31	—	—
Deposits and prepayment	5,596	5,332	8,619
	<u>23,847</u>	<u>29,335</u>	<u>33,815</u>

(i) *Trade receivables*

Our Group's trade receivables mainly consist of receivables from consignment partners and certain wholesale customers. The Group generally grants a credit term up to 120 days. The finance department is in charge of periodic collection tasks, and the finance team periodically verifies collection status with the sales team, monitors the aging of trade receivables and prepares financial records. The table below sets out the aging analysis of the trade receivables based on the invoice dates as at the end of the reporting years:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	8,334	13,697	8,215
31–60 days	9,884	10,303	5,885
61–90 days	2	—	5,819
Over 90 days	—	3	5,277
	<u>18,220</u>	<u>24,003</u>	<u>25,196</u>

The following table sets forth the turnover days of trade receivables:

	As at 31 March		
	2014	2015	2016
Trade receivables turnover days (Note) . .	31.6 days	34.1 days	42.6 days

Note: The trade receivable turnover days were calculated using the average of the beginning and ending trade receivable balances of the year, divided by revenue derived from total sales for the year and multiplied by number of days in respect of the year indicated.

The increase in trade receivables as at 31 March 2015 was in line with the increasing revenue of our Group during the year ended 31 March 2015. Trade receivables turnover days remained comparables to that of the year ended 31 March 2014 and increase slightly which was in line with the increase in our sale to two additional of our wholesalers in Macau on credit, as compared to our major sales via consignment stores and specialty stores where ended customer are direct customers and affected our trade receivables turnover days.

The further increase in trade receivables as at 31 March 2016 was mainly due to the increase in sale derived by our new Hong Kong wholesaler and an existing Macau wholesaler. The increase in trade receivables turnover days for the year ended 31 March 2016 is in line with the increase in trade receivables of the respective year.

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Out of the trade receivables approximately 72.3%, 72.7% and 53.3% were neither past due nor impaired as at 31 March 2014, 2015 and 2016 and approximately 27.7%, 27.3% and 46.7% were past due but were not impaired. Receivables that were past due but not impaired related to a number of independent customers that have a good record with the Group. Based on past experience, the Directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances were still considered fully recoverable.

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired	13,171	17,444	13,435
Less than 30 days past due	5,026	6,338	8,861
31–90 days past due	23	218	2,888
Over 90 days past due	—	3	12
	5,049	6,559	11,761
	18,220	24,003	25,196

Receivables that were neither past due nor impaired relate to a range of customers for whom there was no recent history of default.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. At 31 March 2014, 2015 and 2016, none of our trade receivables was individually determined to be impaired.

All overdue trade receivables as at 31 March 2014 and 2015 and approximately 97.9% of our trade receivables as at 31 March 2016 have been subsequently settled as at the Latest Practicable Date.

(ii) Deposits, Prepayments and other receivables

The balance mainly comprised of deposits paid for rental of retail space for our Group's specialty stores, warehouses and office of our Group and prepayments of service fee of our Group's spokespersons.

As at 31 March 2015, the decrease in deposits, prepayments and other receivables by HK\$0.3 million was mainly contributed by the net effect of (i) the decrease in prepayment for rental and other premise expenses of our existing stores by approximately HK\$1.0 million as at 31 March 2015, and (ii) the increase in rental deposits paid for four additional specialty stores which were opened during the year.

As at 31 March 2016, the increase in deposits, prepayments was mainly attributable to the prepayment of listing expense during the year.

FINANCIAL INFORMATION

Trade payables and other payables

The following table sets forth a breakdown of our Group's trade and other payables as at 31 March 2014, 2015 and 2016:

		As at 31 March		
		2014	2015	2016
		HK\$'000	HK\$'000	HK\$'000
Trade payables	(i)	3,072	2,505	3,134
Accrued staff costs	(ii)	3,283	3,831	4,625
Accruals and other payables	(iii)	546	1,174	1,288
		<u>6,901</u>	<u>7,510</u>	<u>9,047</u>

(i) *Trade payables*

Trade payables primarily include payables to our three Australian suppliers for the purchases of inventories of our Group. The Group generally enjoys credit terms of 30 days from invoice days to 90 days from the date of inventory departing Australia. The below table sets out the ageing analysis of the trade payables based on the invoice dates as at the end of the reporting year:

		As at 31 March		
		2014	2015	2016
		HK\$'000	HK\$'000	HK\$'000
Within 30 days		—	379	1,085
31–90 days		3,072	2,126	2,049
		<u>3,072</u>	<u>2,505</u>	<u>3,134</u>

As at the Latest Practicable Date, all outstanding trade payables as at 31 March 2014, 2015 and 2016 have been subsequently settled.

The following table sets forth the trade payable turnover days for the year below:

		As at 31 March		
		2014	2015	2016
Trade payable turnover days (Note)		39.8 days	29.4 days	35.3 days

Note: The trade payables turnover days were calculated using the average of the beginning and ending trade payable balances of the year, divided by total purchase for the year and multiplied by number of days in respect of the years indicated.

During the year ended 31 March 2015, the decrease in trade payable turnover days from 39.8 days to 29.4 days was mainly resulted from the decrease in trade payable balance towards year ended as result of our Group's prompt payment to our suppliers.

During the year ended 31 March 2016, the increase in trade payables and relevant trade payable turnover days was as a result of the increase in trade payable upon the arrival of inventory shipment nearby the year end date.

FINANCIAL INFORMATION

(ii) *Accruals and other payables*

Accruals and other payables mainly comprise of listing expenses, audit fee and decoration expenses for the specialty stores. The increase in accruals and other payables as at 31 March 2015 and 31 March 2016 were due to listing expenses and auditing fee incurred during the relevant financial years.

(iii) *Accrued staff cost*

Accrued staff cost was approximately HK\$3.3 million, HK\$3.8 million and HK\$4.6 million as at 31 March 2014, 2015 and 2016 respectively. The increase in accrued staff cost was mainly attributable to the increase in number of staff which was in line with our expansions in our multi-channel “澳至尊” sales and distribution network during our Track Record Period.

Amounts due (to)/from Controlling Shareholders/amount due (to)/from a related company

Set out below are the balances related to Controlling Shareholders and a related company of our Group for the Track Record Period:

	Note	As at 31 March		
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Amount due (to)/from a related company				
— Prof Kiu International Limited	(ii)	(264)	38	—
Amounts due (to)/from Controlling Shareholders				
— Mr. Choy	(i)	(5,242)	(2,706)	—
— Mrs. Choy	(i)	(3,041)	801	—
		<u>(8,283)</u>	<u>(1,905)</u>	<u>—</u>

(i) *Amounts due (to)/from Controlling Shareholders*

Amounts due (to)/from Controlling Shareholders mainly represent expenses paid on behalf of our Group by Mr. Choy and Mrs. Choy, and advance from Mr. Choy and Mrs. Choy to our Group.

The amounts are unsecured, interest-free, non-trade in nature and recoverable on demand at the end of each year in the Track Record Period. All the outstanding balances of the amounts due from Mr. Choy and Mrs. Choy has been fully settled by way of declaration of dividend on 24 November 2015.

(ii) *Amount due to a related company*

Amount due to a related company represented amount due to Prof Kiu, which is beneficially owned and controlled by Mr. Choy and Mrs. Choy. The amount is unsecured, interest free, non-trade in nature and with no fixed repayment terms.

During the Track Record Period, the movement of the amount due to a related company mainly represents the rental expenses paid for warehouse expenses. For details, please refer to the section headed “Continuing Connected Transactions” in this prospectus.

FINANCIAL INFORMATION

INDEBTEDNESS

Obligations under finance leases

Motor vehicles of our Group are held under finance leases. The lease terms ranged from 3 to 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The finance leases carry interest at the rate per annum of 2.75%. Set out below are the balances of obligation under finance leases for the Track Record Period:

At 31 March 2014, 2015, 2016 and 31 May 2016, the Group had obligations under finance leases repayable as follows:

	As at 31 March						As at 31 May	
	2014		2015		2016		2016	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Within 1 year	128	137	65	69	62	64	51	52
After 1 year but within 2 years	65	69	62	64	—	—	—	—
After 2 years but within 5 years	62	64	—	—	—	—	—	—
	<u>127</u>	<u>133</u>	<u>62</u>	<u>64</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>255</u>	<u>270</u>	<u>127</u>	<u>133</u>	<u>62</u>	<u>64</u>	<u>51</u>	<u>52</u>
Less: total future interest expenses		(15)		(6)		(2)		(1)
Present value of lease obligations		<u>255</u>		<u>127</u>		<u>62</u>		<u>51</u>

As at 31 March 2014, 2015, 2016 and 31 May 2016, the carrying amount of motor vehicles held under finance leases were approximately HK\$192,000, HK\$30,000, nil and nil respectively.

Bank borrowings

Bank borrowings of our Group included banking facilities of approximately HK\$7.5 million, HK\$15.0 million, HK\$12.9 million and HK\$12.9 million from commercial banks, as at 31 March 2014, 2015, 2016 and 31 May 2016 respectively. The terms ranged from 1 year to 20 years and carried a variable interest rate per annum of 2.65% below prime rate to HIBOR Plus 3.5%. As at 31 May 2016, our Group had unutilised banking facilities of approximately HK\$3.2 million.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our Group's bank borrowings as at 31 March 2014, 2015, 2016 and 31 May 2016:

	As at 31 March			As at 31 May
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (Unaudited)
Bank loans				
— secured	2,301	2,180	—	—
— unsecured and guaranteed	<u>5,221</u>	<u>12,850</u>	<u>12,850</u>	<u>12,850</u>
	<u>7,522</u>	<u>15,030</u>	<u>12,850</u>	<u>12,850</u>

At 31 March 2014, 2015, 2016 and 31 May 2016, all the bank loans were classified as current bank borrowings due to the fact that the corresponding loan agreements included a clause that the banks have an unconditional right to call the loans at any time notwithstanding any other terms and maturity as set out in the loan agreements.

Certain bank loan of the Group contain clauses which give the lender the right at its sole discretion to demand immediate at any time irrespective of whether the Group has complied with the terms of the facility and met the scheduled repayment obligations. All bank loans due for repayment after one year according to the repayment reschedule which contained a clause allowing the bank to seek for repayment on demand, thus all bank loans are classified as current liabilities of our Group.

As at the Latest Practicable Date, save for the regular repayments according to the respective repayment schedule of each of our Group bank loans, our Group did not receive any notice requesting full repayment of bank loans within one year. Our Directors confirm that there have been no material defaults by our Group in payments of its bank borrowings during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirm that we do not have any plan to raise material external debt financing as at the Latest Practicable Date.

As at 31 March 2014 and 2015, a bank loan of approximately HK\$2.3 million and HK\$2.2 million was secured by (i) the leasehold land and buildings held by our Group with carrying amount of HK\$4.4 million and HK\$4.3 million, respectively; and (ii) personal guarantee provided by Mr. Choy and Mrs. Choy. During the year ended 31 March 2016, the bank loan was fully repaid and the charges over the leasehold land and buildings were released.

Interest on the bank loan is charged on the daily basis at 3.1% per annum below the bank's prime rate.

As at 31 March 2014, term loans of approximately HK\$5.2 million were secured by personal guarantees provided by Mr. Choy and Mrs. Choy. During the year ended 31 March 2015, the term loans were fully repaid.

Interests on the bank loans were charged on the outstanding amount at one-month HIBOR plus 3% per annum.

As at 31 March 2015, 2016 and 31 May 2016, a revolving bank loan of approximately HK\$12.9 million was secured by (1) the property owned by a related company which is beneficially owned and controlled by Mr. Choy and Mrs. Choy; and (2) personal guarantees provided by Mr. Choy and Mrs. Choy.

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Interest on the bank loan is charged on the outstanding amount at 2.4% to 3.5% per annum over HIBOR.

We have obtained the written consents from the relevant bank that the charges over our property and personal guarantees of our Controlling Shareholders will be released upon Listing.

Save as disclosed above, our Group did not have, as at 31 May 2016 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirmed that (i) there has not been any material change in our indebtedness and contingent liabilities since 31 March 2016 and up to the Latest Practicable Date; (ii) the bank loans and bank facilities are subject to the standard banking conditions and covenants; (iii) our Group has complied with all of the covenants under our bank borrowings during the Track Record Period; (iv) our Group has not received any notice from the bank indicating that it might withdraw or downsize the bank loans and bank facility; and (v) our Group does not have any material external debt financing plans as at the Latest Practicable Date.

Provisions

The movements in the provision for reinstatement costs are as follows:

	For the year ended 31 March			For the two months ended 31 May
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
At the beginning of the year/period	—	—	565	510
Provisions made during the year/ period	—	565	—	—
Amounts utilised during the year/ period	—	—	(55)	—
At the end of year/period	—	565	510	510
Less: Non-current portion	—	(412)	(193)	(193)
Portion classified as current liabilities	—	153	317	317

Under the terms of the license agreements signed with landlords, our Group shall remove and re-instate the rental premises at our Group's cost upon expiry of the relevant license agreements. Our management considered the provision is therefore made for the best estimate of the expected reinstatement costs to be incurred.

Income tax payable

Tax payable as at each financial year ended mainly comprised of tax payable charged at the taxable income of our Group derived in Hong Kong and Macau at a rate of 16.5% and 12% according to the relevant tax rules. No tax payable balance was recorded for income derived from Singapore and the PRC respectively, as no taxable income was derived in such regions according to the relevant tax rules of the other two jurisdiction which our Group operated in, as all two regions were loss making during the respective financial years.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table shows certain key financial ratios during the Track Record Period:

	As at/For the year ended 31 March		
	2014	2015	2016
Current ratio ¹ (times)	1.5	2.2	3.4
Quick ratio ² (times)	1.2	1.9	3.0
Debt to equity ratio ³ (%)	N/A	N/A	N/A
Gearing ratio ⁴ (%)	21.8%	25.8%	20.8%
Interest coverage ratio ⁵ (times)	449.8	141.6	38.8
Return on assets ⁶ (%)	41.6%	23.6%	14.6%
Return on equity ⁷ (%)	97.0%	39.5%	19.8%
Gross profit margin ⁸	83.7%	84.1%	85.5%
Net profit margin ⁹	17.7%	10.3%	5.8%
Adjusted net profit margin ¹⁰	17.7%	11.1%	12.1%

Notes:

1. *Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.*
2. *Quick ratio is calculated based on the total current assets less inventories and divided by total current liabilities as at the respective year end.*
3. *Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.*
4. *Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year end and multiplied by 100%.*
5. *Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective year.*
6. *Return on total assets is calculated by the net profit for the year divided by the total assets as at the respective year end and multiplied by 100%.*
7. *Return on equity is calculated by the net profit for the year divided by the total equity as at the respective year end and multiplied by 100%.*
8. *Gross profit margin is calculated by the gross profit divided by the revenue for the respective year and multiplied by 100%.*
9. *Net profit margin is calculated by the net profit for the year divided by the revenue for the respective year and multiplied by 100%.*
10. *Adjusted profit margin is calculated by the net profit for the year excluding the listing expense divided by the revenue for the respective year and multiplied by 100%.*

Please refer to the paragraphs headed “Year ended 31 March 2016 compared to 31 March 2015” and “Year ended 31 March 2015 compared to year ended 31 March 2014” in this section for a discussion on factors affecting revenue growth, net profit growth, gross profit margin and net profit margin during the respective years.

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Current Ratio

Our current ratio improved from 1.5 times as at 31 March 2014 to approximately 2.2 times as at 31 March 2015. Such improvement was due to the net profit of approximately HK\$23.2 million for the year ended 31 March 2015. As at 31 March 2016, our current ratio increased to approximately 3.4 times. Such increase was mainly driven by the increase in our current asset over the increase in our current liabilities, which are mainly attributable to the net effect of: (i) the net profit of approximately HK\$12.3 million for the year ended 31 March 2016; (ii) the consideration of disposal of our office approximately HK\$4.3 million; (iii) the increase in prepayment of listing expenses of approximately HK\$2.5 million; and (iv) the declaration of dividend of approximately HK\$10.7 million for the year ended 31 March 2016.

Quick Ratio

Our quick ratio increased slightly from approximately 1.2 times as at 31 March 2014 to approximately 1.9 times as at 31 March 2015 and further to 3.0 times as at 31 March 2016 respectively. The changes in quick ratio reflect the changes in our Group's inventories level.

Gearing Ratio

Our gearing ratio significantly increased from approximately 21.8% as at 31 March 2014 to 25.8% as at 31 March 2015 which was mainly attributable to the increase in bank borrowings for the year ended 31 March 2015. Our gearing ratio decreased slightly to approximately 20.8% as at 31 March 2016, such decrease was attributable to the decreased bank borrowings of approximately HK\$2.1 million and increased in total equity.

Interest coverage ratio

The interest coverage ratio decreased significantly from approximately 449.8 times for the year ended 31 March 2014 to approximately 141.6 times for the year ended 31 March 2015, which was due to the increase in the finance cost as a result of the significant increase in bank borrowing from approximately HK\$7.5 million to HK\$15.0 million and the drop in our profit before interest and tax by approximately 29.2%. The interest coverage further decreased to approximately 38.8 times as at 31 March 2016 as a result of the increase in finance cost and the significant drop in our net profit before interest and tax by approximately 41.7% in light of the recognition of listing expenses of approximately HK\$13.0 million.

Return on assets

Our return on total assets was approximately 41.6%, 23.6% and 14.6% for the years ended 31 March 2014, 2015 and 2016 respectively. For the year ended 31 March 2015, the return on total assets decreased to approximately 23.6%. This decrease was due to the decrease in net profit of approximately 33.0%, larger than the increase in total assets of approximately 17.9% being the proceeds from our increased bank borrowing and listing expenses of approximately HK\$2.1 million. For the year ended 31 March 2016, the return on total assets decreased to approximately 14.6%. This decrease was due to the significant drop in net profit of approximately 47.0% as a result of the recognition of listing expenses of approximately HK\$13.0 million. Such drop is larger than the drop in our total assets by approximately 13.9% mainly attributable to the disposal of our office in July 2015.

Return on equity

Our return on equity was approximately 97.0%, 39.5% and 19.8% for the years ended 31 March 2014, 2015 and 2016. The return on equity decreased significantly to 39.5% for the year ended 31 March 2015 due to sharp increase in total equity of approximately 64.6% and a decrease in net profit.

FINANCIAL INFORMATION

The substantial decrease in return on equity for the year ended 31 March 2016 was mainly due to the significant decrease in net profit mainly contributable to the recognition of listing expenses of HK\$13.0 million.

LISTING EXPENSE

Based on the Offer Price of HK\$1.00 (being the mid-point of the Offer Price range stated in this prospectus), estimated listing expenses in connection with the Global Offering (inclusive of underwriting fee) are approximately HK\$42.1 million, of which HK\$2.1 million and HK\$13.0 million has been charged to our combined statement of profit or loss and other comprehensive income for the two years ended 31 March 2015 and 2016, and approximately HK\$8.9 million is expected to be charged to our combined statement of profit or loss and other comprehensive income for the year ending 31 March 2017 and approximately HK\$18.1 million is expected to be capitalised as deferred expenses and charged against equity upon the Global Offering under the relevant accounting standard. Under the Reporting Accountants view that allocation of listing expenses between the equity accounts and profit or loss accounts are complied with the requirements which stipulated in the article titled “Accounting for transaction costs incurred in initial public offerings” published by HKICPA in June 2014.

CAPITAL EXPENDITURES

Historical Capital Expenditure

We have historically funded our capital expenditures with our Group’s internal resources. The following table sets forth our capital expenditures for the Track Record Period indicated:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Leasehold improvement	1,612	3,400	548
Furniture and fixtures	414	399	140
Motor vehicles	—	—	—
Total	2,026	3,799	688

OPERATING LEASES COMMITMENTS

Our Group as lessee

At 31 March 2014, 2015 and 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	14,525	15,286	12,161
After 1 year but within 5 years	19,678	8,797	6,430
	34,203	24,083	18,591

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group signed a new tenancy agreement with a future minimum lease payment under non-cancellable operating lease of approximately HK\$0.4 million within one year and approximately HK\$0.9 million in the second to fifth years inclusive. Our Group entered into commercial leases on specialty stores, offices buildings and car parks. These leases have an average life of 2 years.

FINANCIAL INFORMATION

Commitments under an operating lease payable to a related company:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	90	360	90
After 1 year but within 5 years	—	90	—
	90	450	90

For our leases related to Prof Kiu runs for an initial period of 2 years and the related commitments which are detailed in section “Continuing Connected Transaction — Exempt Continuing Connection Transaction” in this prospectus.

Capital commitment

During the Track Record Period and up to the Latest Practicable Date, the Group did not have any capital commitment.

OFF-BALANCE SHEET ARRANGEMENT

During the Track Record Period and up to the Latest Practicable Date, our Group did not have any off-balance sheet arrangements.

CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

Our Group actively and regularly reviews and manages our capital structure in order to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Financial risk management

Our Group is exposed to interest rate risk, foreign exchange risk, credit risk and liquidity risk in the normal course of business. Further details on our financial risk management policies and practices are set out in the paragraph headed “Notes to financial statements — Financial risk management and fair values of financial instruments and policies” in Appendix I to this prospectus.

DIVIDEND

For the three years ended 31 March 2016, members of our Group declared dividends of approximately HK\$30.0 million, nil and HK\$10.7 million, representing approximately 86.7%, nil and 86.1% of the respective years’ net profit for the year. All the dividends paid by our Group were paid to our Controlling Shareholders. The declared dividends for the year ended 31 March 2014 to our Controlling Shareholders were paid by cash in July 2015. The interim dividends of approximately HK\$10.7 million for the year ended 31 March 2016 were paid by cash after setting off against the outstanding balances of the amount due from our Controlling Shareholders. In addition, members of our Group declared and settled interim dividends in amount of HK\$7.1 million on 23 June 2016 to our Controlling Shareholders. All of such dividends were paid by cash after setting off against the outstanding balances of the amount due from our Controlling Shareholders. Such dividends were funded by our internal resources. Our Directors consider that there is no material adverse impact on our Group’s financial and liquidity position arising out of the dividend payment.

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Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. There will be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future. Our Group does not currently have a dividend policy.

DISTRIBUTABLE RESERVES

As at 31 March 2016, our Company had no distributable reserves available for distribution to our Shareholders.

PROPERTY INTERESTS

As at the Latest Practicable Date, no single property owned by us had a carrying value exceeding 15% of our total assets, the details of which are set out in the section headed "Business — Properties" in this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of our Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the combined net tangible assets of our Group attributable to owners of our Company as if the Global Offering had taken place on 31 March 2016 assuming that the Over-allotment Option is not exercised. This unaudited pro forma adjusted combined net tangible assets of our 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 our Group had the Global Offering been completed on 31 March 2016:

	Audited combined net tangible assets of our Group attributable to the owners of the Company as at 31 March 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of our Group	Unaudited pro forma adjusted combined net tangible assets of our Group per Share
	HK\$'000	HK\$'000	HK\$'000	HK\$
		<i>(Note 1)</i>	<i>(Note 3)</i>	<i>(Notes 2 and 3)</i>
Based on the Offer				
Price of HK\$0.80 per Share.	61,955	131,640	193,595	0.26
Based on the Offer				
Price of HK\$1.20 per Share.	61,955	193,140	255,095	0.34

FINANCIAL INFORMATION

Notes:

- (1) *The combined net tangible assets attributable to equity owners of the Company as of 31 March 2016 is based on combined net assets attributable to equity owners of our Company of approximately HK\$61,955,000 as of 31 March 2016, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.*
- (2) *The estimated net proceeds from the Global Offering are based on the Offer Shares and the estimated Offer Prices of HK\$0.80 and HK\$1.20, respectively, being the lower end and higher end of the Offer Price range, after deduction of the underwriting fees and other related expenses payable by our Company without taking into account any Shares that may be issued upon exercise of Over-Allotment Option.*
- (3) *The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after adjustment for the estimated net proceeds from the Global Offering payable to our Company as described in note (2) above and on the basis that a total of 750,000,000 Shares were in issue assuming that the Global Offering was completed on 31 March 2016 (including Shares in issue as of the date of this prospectus and those Shares to be issued pursuant to the Global Offering and the Capitalization Issue) without taking into account any Shares which may be offered for sale upon exercise of the Over-Allotment Option.*
- (4) *No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2016. In addition, the unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company does not take into account the interim dividend of HK\$7,100,000 declared and paid on 23 June 2016. Had such dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets would be approximately HK\$186,495,000 (assuming an offer price of HK\$0.80 per share) and approximately HK\$247,995,000 (assuming an offer price of HK\$1.20 per share) respectively, while the unaudited pro forma adjusted combined net tangible assets per share would be HK\$0.25 (assuming an offer price of HK\$0.80 per share) and HK\$0.33 (assuming an offer price of HK\$1.20 per share) respectively.*

RELATED PARTY TRANSACTION

During the Track Record Period, with respect to the related party transactions set out in Note 23 to the Accountants' report set out in Appendix I to this prospectus, save as disclosed in point (iv) of paragraph c in Note 23 regarding the sales and purchase agreement with our Controlling Shareholders (Note), our Directors confirm that these transactions were conducted in normal commercial terms and in the ordinary course of business. Save as disclosed in the paragraph "Continuing Connected Transaction — Exempted Continuing Connected Transaction", these related party transactions have discontinued before the Latest Practicable Date.

Note: On 21 July 2015, Truth & Faith (Hong Kong) entered into a provisional agreement for sale and purchase with our Controlling Shareholders, in which Truth & Faith (Hong Kong) conditionally agreed to sell its leasehold land and building with a carrying amount of approximately HK\$4,242,000 to our Controlling Shareholders at a consideration of approximately HK\$4,300,000, which was based on mutually agreed term by reference to the carrying amount of the leasehold land and building, subject to the term and conditions in the agreement, resulting in a deemed contribution from our Controlling Shareholders of HK\$58,000 on disposal. The sale and purchase was completed on 21 July 2015. The fair market value of the leasehold land and building at the date of disposal was HK\$9,850,000.

FINANCIAL INFORMATION

WORKING CAPITAL SUFFICIENCY

Our Directors confirm that, taking into consideration the financial resources presently available to us and the estimated net proceeds of the Global Offering, we have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Hong Kong Stock Exchange on that date.

NO MATERIAL ADVERSE CHANGE

We currently expect that our net profit for the year ending 31 March 2017 will be negatively impacted by the listing expenses of approximately HK\$8.9 million (calculated on the assumption of an Offer Price of HK\$1.00 per Share, being the mid-point of the proposed Offer Price range), all of which will be listing expenses to be recognised as expenses in our combined statement of profit or loss and other comprehensive income and the remaining listing expenses which are directly attributable to issuing new Shares will be deducted from equity upon the completion of the Global Offering.

There had not been, as far as we are aware, any material change in the general economic and market conditions in the industry in which we operate that have had a material and adverse impact on our business operations and financial condition since 31 March 2016 and up to the date of this prospectus.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the financial condition or prospects of our Group since 31 March 2016, being the end of the period reported on in the Accountants' Report and there had been no event since 31 March 2016 and up to the date of this prospectus which could materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

We aim at becoming as one of the leading retailers of health and personal care products in Hong Kong and other oversea markets. For detailed descriptions of our future plans, please refer to the section headed “Business — Our Strategies” in this prospectus.

USE OF PROCEEDS

We estimate that the net proceeds available to us from the Global Offering (after deducting underwriting fees and related listing expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$1.00 per Offer Share, being the mid-point of the indicative range of the Offer Price) will be approximately HK\$145.4 million, assuming the Over-allotment Option is not exercised. We intend to apply the net proceeds as follows:

- (i) approximately 35% or HK\$51.0 million will be used for further developing and strengthening our brand, including:
 - approximately 20% of the net proceeds for launching various marketing activities to promote brand awareness;
 - approximately 10% of the net proceeds for strengthening staff training activities and expanding our sales and marketing team and other departments;
 - approximately 5% of the net proceeds for enhancing sales support and customer services;
- (ii) approximately 25% or HK\$36.3 million will be used for maintaining, expanding and improving our sales network, including (a) expanding our network of self-operated specialty stores by opening more in Hong Kong (one to three specialty stores to be opened by 31 March 2017 and four to seven more by 31 March 2018); and (b) extending our consignment sales coverage as well as improving our sales counters and shelf space at the consignees’ retail stores (one to three sales counters to be set up by 30 September 2017 and three to five more by 31 March 2018);
- (iii) approximately 17% or HK\$24.7 million will be used for exploring business collaboration and expanding our customer base, including:
 - approximately 10% of the net proceeds for developing our e-commerce sales network and exploring opportunities to co-operate with more online shopping platforms in Hong Kong, China and other regions;
 - approximately 7% for conducting marketing research and feasibility to assess the potential of new markets (including Taiwan and Indonesia);
- (iv) approximately 13% or HK\$18.9 million for diversifying and expanding our product portfolio, including (a) discussing with our existing brand proprietors on the potential and practicality of developing new products; and (b) exploring business collaboration opportunities with other brand proprietors;
- (v) the remaining balance of 10% or HK\$14.5 million for our Group’s general working capital.

FUTURE PLANS AND USE OF PROCEEDS

If the final Offer Price (assuming the Over-allotment Option is not exercised) is set at (i) the lowest (HK\$0.80); or (ii) the highest (HK\$1.20) of the indicative range of the Offer Price, the net proceeds available to us are estimated to be approximately (i) HK\$107.9 million; or (ii) HK\$182.9 million respectively. In such event, the net proceeds will decrease or increase by approximately HK\$37.5 million respectively and are intended to be applied in the same proportion as disclosed above.

If the Over-allotment Option is exercised in full, the estimated net proceeds from the Global Offering will be HK\$130.4 million, HK\$173.5 million or HK\$216.6 million respectively (assuming the Offer Price is set at HK\$0.80, HK\$1.00 or HK\$1.20, being the lowest, the mid-point and the highest of the indicative range of the Offer Price respectively). We intend to apply in the additional net proceeds from the Over-allotment Option in the same proportion as disclosed above.

To the extent of the net proceeds from the Global Offering are not immediately applied for the above purposes or if we are unable to effect any part of our future plans, we may hold such net proceeds in short-term deposits with financial institutions in Hong Kong.

We will issue appropriate announcement(s) if we decide to modify the intended use of proceeds or re-allocate the proceeds to other business plans of our Group.

UNDERWRITING

UNDERWRITERS

Ample Orient Capital Limited

Great Roc Capital Securities Limited
Ping An Securities Limited
Astrum Capital Management Limited
Celestial Capital Limited
China-Hong Kong Link Securities Company Limited
Convoy Investment Services Limited
Gransing Securities Co., Limited
Guotai Junan Securities (Hong Kong) Limited
Opus Capital Limited
Oriental Patron Securities Limited
Orient Securities (Hong Kong) Limited
Pacific Foundation Securities Limited
Quam Securities Company Limited
SBI China Capital Financial Services Limited
Sun International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally and not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) has the right, in its sole and

UNDERWRITING

absolute discretion, to terminate the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement by giving notice in writing to our Company with immediate effect at any time prior to 8:00 a.m. on the Listing Date, if it sees fit upon the occurrence of any of the following events:

- (a) there has come to the notice of the Sole Global Coordinator:
 - (i) any breach of any of the warranties, obligations or undertakings imposed upon any party (other than the Sole Global Coordinator or any of the Underwriters) to any of the Underwriting Agreements which, in any such case, is considered, in the sole and absolute opinion of the Sole Global Coordinator, to be material; or
 - (ii) any statement contained in this prospectus, the Application Forms, any supplemental offering materials, announcement, the formal notice to be published in connection with the Hong Kong Public Offering, the roadshow materials and any other documents published or issued by or on behalf of our Company, or the International Placing Underwriters for the purposes of or in connection with the Global Offering (“**Offer Documents**”) considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering, was or has become or been discovered to be untrue, incorrect or misleading in any respect, or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the sole and absolute opinion of the Sole Global Coordinator, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (iii) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
 - (iv) our Company withdraws any of the Offer Documents (or any document, other documents used in connection with the contemplated subscription and sale of Offer Shares) or the Global Offering; or
 - (v) any event, act or omission which gives or is likely to give rise to any liability of the warranties under the Hong Kong Underwriting Agreement pursuant to the indemnity provisions of the Hong Kong Underwriting Agreement; or
 - (vi) any change or development involving a prospective change in the business, assets, liabilities, conditions, business affairs, prospects, profits, losses or the financial or trading position or performance or management of our Group considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or
 - (vii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or
 - (viii) approval by the Listing Committee of the listing of, and permission to deal in, our Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted (other than subject to customary conditions) or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

UNDERWRITING

- (ix) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
 - (x) a material portion of the orders in the bookbuilding process at the time the International Placing Underwriting Agreement is entered into, have been withdrawn, terminated or cancelled; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional, international, financial, political, economic, legal, military, industrial, fiscal, regulatory, currency, or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting Hong Kong or anywhere in the world; or
 - (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the BVI, the European Union (or any member thereof) or any other jurisdictions relevant to any member of our Group or the Global Offering (the “**Relevant Jurisdictions**”); or
 - (iii) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza, Swine Flu or such related or mutated forms) or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or
 - (iv) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or (B) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions or any other relevant jurisdiction, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in the case of either (A) or (B), in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the United States or the European Union (or any member thereof) on Hong Kong, the PRC, the Cayman Islands, the BVI, the European Union (or any member thereof) or any of the Relevant Jurisdictions; or
- (vi) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws in any of the Relevant Jurisdictions or affecting an investment in our Shares; or
- (vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the “Risk Factors” section in this prospectus; or
- (viii) the chairman or chief executive officer of our Company vacating his office; or
- (ix) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (x) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Global Offering; or
- (xi) non-compliance with this prospectus (and/or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other laws applicable to the Global Offering; or
- (xii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xiii) an event where, as a result of market conditions or otherwise, a material portion of the orders in the bookbuilding process at the time the International Placing Underwriting Agreement is entered into, has been withdrawn or cancelled and the Sole Global Coordinator, in its absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or
- (xiv) any litigation or claim being threatened or instigated against any member of our Group; or
- (xv) any of our Directors, any senior management members of our Company as set out in the section headed “Directors and Senior Management” in this prospectus being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any of the said Directors and senior management members in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or
- (xvi) any contravention by any Controlling Shareholders as warrantor, any member of Our Group or any Director of the Companies (Winding up and Miscellaneous Provisions) Ordinance, the SFO or any of the Listing Rules; or

UNDERWRITING

(xvii) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents pursuant to the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Listing Rules,

which in each case or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (a) is or will or could be expected to have a material adverse effect on the general affairs, management, business, financial, trading or other condition or prospects or risks of our Company or our Group or any member of our Group or on any present or prospective shareholder in his, her or its capacity as such; or
- (b) has or will have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or
- (c) makes it or may make it impracticable, inadvisable or inexpedient to proceed with or to market the Hong Kong Public Offering and/or the International Placing or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms or the formal notice or shall otherwise result in an interruption to or delay thereof; or
- (d) has or will have the effect of making any part of the Underwriting Agreements incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange under the Listing Rules

Undertakings by us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Global Offering, the Over-allotment Option and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Global Offering as described and contained in this prospectus, he/she/it shall not and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owners; or

UNDERWRITING

- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (a) when he/she/it pledges or charges any Shares beneficially owned by his/her/its in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when he/she/it receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by us

Except for the issue of Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Capitalization Issue, the grant of options under the Share Option Scheme and the issue of Shares on exercise thereof or as otherwise with the prior written consent of the Sole Global Coordinator and unless in compliance with the requirements of the Listing Rules, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-Month Period**”), we have, pursuant to the Hong Kong Underwriting Agreement, undertaken to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) that:

- (a) our Company will not, and will procure that our subsidiaries will not, offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable);
- (b) our Company will not, and will procure that our subsidiaries will not, enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein;

UNDERWRITING

- (c) our Company will not, and will procure that our subsidiaries will not, enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) our Company will not, and will procure that our subsidiaries will not, agree or contract to, or publicly announce any intention to enter into any transaction described in paragraph (a), (b) or (c) above;

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

- (e) our Company will ensure that if any of the transactions in paragraph (a), (b) or (c) above is entered into or agreed to be entered into during the period of six months commencing from the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), it will take all reasonable steps to ensure that any such action will not create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken jointly and severally to each of the Sponsor, the Joint Bookrunners and Joint Lead Managers, the Sole Global Coordinator, our Company and the Hong Kong Underwriters that:

- (i) at any time during the First Six-Month Period, he/she/it will not, and will procure that the relevant registered holder(s) and his/her/its associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it will not, without the prior written consent of the Sole Global Coordinator and unless in compliance with the requirements of the Listing Rules, (a) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein; (c) enter or agree to enter into, conditionally or unconditionally, or effect any of the transaction with the same economic effect as any transaction referred to in (a) or (b) above; or (d) agree, or contract to, or publicly announce any intention to enter into or effect any of the transaction referred to in (a), (b) or (c) above;

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

- (ii) at any time during the Second Six-Month Period, he/she/it will not, and will procure that the relevant registered holder(s) and his/her/its associates or companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of the Sole Global Coordinator and unless in compliance with the Listing Rules, enter into any of the foregoing transactions in paragraph (i) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights,

UNDERWRITING

interests or encumbrances, he/she/it will cease to be a controlling shareholder of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders of our Company;

- (iii) at any time before the expiry of the Second Six-Month Period, in the event that he/she/it enters into any transaction referred to in paragraph (i) above or agrees or contracts to or publicly announces an intention to enter into such transactions, he/she/it will take all reasonable steps to ensure that such action shall not create a disorderly or false market for any Shares or other securities of our Company; and
- (iv) he/she/it shall, and shall procure that his/her/its associates and companies controlled by him/her/it and nominees or trustees holding in trust for him/her/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/her/it or by the registered holder controlled by him/her/it of any Shares.

Each of our Controlling Shareholders has further undertaken jointly and severally to each of the Sponsor, Sole Global Coordinator, Joint Bookrunners, Joint Lead Managers, our Company and the Hong Kong Underwriters, during the first twelve months from the Listing Date, he/she/it will:

- (i) when he/she/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he/she/it is the beneficial owner, immediately inform our Company, the Sponsor, the Joint Lead Managers and the Sole Global Coordinator in writing of such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and
- (ii) when he/she/it receives any indication, whether verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Sole Global Coordinator in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of a press announcement in accordance with Rule 2.07C of the Listing Rules.

The International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Placing Underwriting Agreement with, inter alia, the Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below. Under the International Placing Underwriting Agreement, the International Placing Underwriters will severally agree to subscribe or purchase or procure subscribers or purchasers to subscribe for the International Placing Shares being offered pursuant to the International Placing.

Our Company will grant to the International Placing Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Placing Underwriters at any time from the Listing Date up to (and including) the date which is the 30th day after lodging applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 28,124,000 Shares representing 15% of the number of Offer Shares initially offered under the Global Offering, at the same price per Share under the International Placing to cover over-allocations (if any) in the International Placing.

UNDERWRITING

Commissions and expenses

The Underwriters will receive an underwriting commission at the rate of 3% of the aggregate Offer Price payable for the Offer Shares (including the Shares to be issued pursuant to the Over-allotment Option, if any). Furthermore, our Company agrees, at its discretion, to pay to the Sole Global Coordinator, Joint Bookrunners and Joint Lead Managers a discretionary incentive fee of up to 5% of the aggregate Offer Price payable for the Offer Shares (including the Shares to be issued pursuant to the Over-allotment Option). The underwriting commission (not taking into account the aforesaid incentive fee), together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Global Offering, is currently estimated to be approximately HK\$4.5 million in aggregate (based on an Offer Price of HK\$1.00 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.80 and HK\$1.20 per Offer Share) and is paid or payable by our Company.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Ample Capital Limited is the Sponsor and Ample Orient, the Sole Global Coordinator, Joint Bookrunners and Joint Lead Managers.

The Global Offering consists of (subject to reallocation and the Over-allotment Option):

- the Hong Kong Public Offering of 18,760,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the section headed “Structure of the Global Offering — The Hong Kong Public Offering”; and
- the International Placing of 168,740,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S under the U.S. Securities Act as described below under the section headed “Structure of the Global Offering — The International Placing”.

Of the 18,760,000 Shares being offered under the Hong Kong Public Offering, up to 1,876,000 Shares (representing approximately 10% of the total number of Hong Kong Offer Shares initially being offered and approximately 1% of the total number of Offer Shares being offered under the Global Offering) are available for subscription by the Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors outside the United States in reliance on Regulation S under the U.S. Securities Act. The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form. Directors and directors of any of our subsidiaries and their respective affiliates shall not apply for Employee Reserved Shares under the Employee Preferential Offering and shall not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering and shall not apply for or indicate an interest in acquiring the International Placing Shares under the International Placing. All Eligible Employees may apply for Hong Kong Offer Shares in the Hong Kong Public Offering and Employee Reserved Shares in the Employee Preferential Offering but may not apply for or indicate an interest for International Placing Shares under the International Placing.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing respectively may be subject to reallocation as described in the section headed “Structure of the Global Offering — Pricing and allocation”.

STRUCTURE OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$1.20 per Offer Share and is expected to be not less than HK\$0.80 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price of HK\$1.20 per Offer Share plus a 1% brokerage fee, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$4,848.37 for one board lot of 4,000 Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$1.20, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. Please refer to the section headed “How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — Refund of application monies” in this prospectus.

Determining the Offer Price

The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Wednesday, 3 August 2016.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Wednesday, 3 August 2016.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional or other investors during the book-building process, the Sole Global Coordinator (for itself and on behalf of the Underwriters) considers it appropriate and together with our consent, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the Standard (in English) and the Hong Kong Economic Journal and the Hong Kong Economic Times (in Chinese) notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

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Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Allocation

The Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Shares after Listing. Such allocation may be made to institutional, professional or other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong 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 Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the International Placing and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Monday, 8 August 2016 in the Standard (in English) and the Hong Kong Economic Journal and the Hong Kong Economic Times (in Chinese).

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Hong Kong Offer Shares successfully applied for under **WHITE**, **YELLOW** and **PINK** Application Forms, or by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 11. Publication of results" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or about the Price Determination Date;
- the execution and delivery of the International Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under the International Placing Underwriting Agreement and the Hong Kong Underwriting Agreement having become unconditional and not having been terminated in accordance with their respective terms,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering Underwriting Agreement and the International Placing Underwriting Agreement is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will cause to be published by us in the Standard (in English) and the Hong Kong Economic Journal and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — Refund of application monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Monday, 8 August 2016 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 9 August 2016, provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — The Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

Number of Shares initially offered

Our Company is initially offering 18,760,000 Shares at the Offer Price, representing approximately 10% of the 187,500,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 25% of the total issued share capital of our Company

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immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional, professional investors or other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offering is subject to the conditions set out in the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” above.

In addition to any application for Employee Reserved Shares on a **PINK** Application Form, Eligible Employees will be entitled to apply for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form or by submitting application online through the designated website of the **HK eIPO White Form** Service Provider or giving electronic application instruction to HKSCC via CCASS.

Allocation

Allocation of Hong Kong Public Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation 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 Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Placing and after deducting the number of Employee Reserved Shares validly applied for under the Employee Preferential Offering) will be divided equally (subject to adjustment of odd lot size) into two pools: Pool A and Pool B with any odd board lots being allocated to Pool A. Assuming all the Employee Reserved Shares are validly subscribed for and allocated to applicants under the **PINK** Application Forms, Pool A will comprise 8,444,000 Hong Kong Offer Shares and Pool B will comprise 8,440,000 Hong Kong Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

If the Employee Reserved Shares are not fully taken up, any excess Employee Reserved Shares will be reallocated to Pool A and Pool B in equal proportions.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 8,440,000 Hong Kong Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The allocation of the Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the number of Shares initially available under the Hong Kong Public Offering, the total number of Shares available under the Hong Kong Public Offering will be increased to 56,252,000, 75,000,000 and 93,752,000 Shares, respectively, representing approximately 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Shares will be allocated to Pool A and Pool B equally (after deducting the number of Hong Kong Offer Shares validly subscribed for under the Employee Preferential Offering).

If the Hong Kong Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Applications

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

EMPLOYEE PREFERENTIAL OFFERING

Up to 1,876,000 Employee Reserved Shares, representing approximately 10% of the Offer Shares initially available under the Hong Kong Public Offering and approximately 1% of the Offer Shares available under the Global Offering are available for subscription by the Eligible Employees on a preferential basis. Directors and directors of any of our subsidiaries and their respective affiliates shall not apply for Employee Reserved Shares under the Employee Preferential Offering and shall not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering and shall not apply for or indicate an interest in acquiring the International Placing Shares under the International

STRUCTURE OF THE GLOBAL OFFERING

Placing. All Eligible Employees may apply for Hong Kong Offer Shares in the Hong Kong Public Offering and Employee Reserved Shares in the Employee Preferential Offering but may not apply for or indicate an interest for International Placing Shares under the International Placing. Such Eligible Employees will receive no preference as to entitlement or allocation in respect of such further applications for Hong Kong Offer Shares under the Hong Kong Public Offering. For further details, see “How to Apply for the Hong Kong Offer Shares and Employee Reserved Shares” in this prospectus.

As at the Latest Practicable Date, there were approximately 156 Eligible Employees. In case not all the 1,876,000 Employee Reserved Shares are validly subscribed for by the Eligible Employees, the undersubscribed Employee Reserved Shares will be available as Hong Kong Offer Shares for subscription by the public under the Hong Kong Public Offering.

The 1,876,000 Employee Reserved Shares available for application by Eligible Employees on **PINK** Application Forms will be allocated to such applicants on a basis to be determined by our Hong Kong Share Registrar based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in Hong Kong Public Offering in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. The Employee Reserved Shares will be balloted if there are insufficient Employee Reserved Shares available to **PINK** Application Form applicants. If balloting is conducted, one or more Eligible Employee(s) may be allocated more Employee Reserved Shares than others who have applied for the same number of Employee Reserved Shares, and those Eligible Employees who have applied for Employee Reserved Shares and who are not successful in the ballot may not receive any Employee Reserved Shares.

The allocation of Employee Reserved Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on the identity, seniority, work performance or length of service of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 1,876,000 Employee Reserved Shares will be rejected. Allocation of Employee Reserved Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules.

The Employee Reserved Shares are being offered out of Hong Kong Offer Shares and are not subject to the clawback mechanism as set out in the paragraph headed “The Hong Kong Public Offering — Reallocation” in this section.

THE INTERNATIONAL PLACING

Number of Offer Shares initially offered

The number of Shares to be initially offered for subscription under the International Placing will be 168,740,000 Shares, representing approximately 90% of the Offer Shares under the Global Offering. The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

Pursuant to the International Placing, the International Placing Underwriters will conditionally place the Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S under the U.S. Securities Act. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the “book-building” process described in paragraph headed “Pricing and allocation” above and based on a number of factors, including the level

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and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

OVER-ALLOTMENT OPTION

Our Company is expected to grant to the International Placing Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Placing Underwriters) at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, our Company may be required to issue up to 28,124,000 Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Placing, if any. The Sole Global Coordinator may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, regulations and rules.

STOCK BORROWING AGREEMENT

Ample Orient, as the Stabilising Manager, or any person acting for it may choose to borrow Shares from Beatitudes, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Beatitudes will only be effected by the Stabilising Manager for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Beatitudes under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Beatitudes or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated; and (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Beatitudes by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

STRUCTURE OF THE GLOBAL OFFERING

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, Ample Orient, as the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by the applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 28,124,000 Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering.

Stabilising action will be entered into in accordance with the laws, regulations and rules in place in Hong Kong on stabilisation and stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last business day immediately before the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

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- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 28,124,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Stabilising Manager may borrow up to 28,124,000 Shares from Beatitudes, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 9 August 2016, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 9 August 2016. The Shares will be traded in board lots of 4,000 Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** and/or **PINK** 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.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form.

Our Company, the Sole Global Coordinator, 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 Hong Kong 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.

You can also apply for Employee Reserved Shares by using a **PINK** Application Form if you satisfy the above criteria and you are also an Eligible Employee.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its 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 **HK eIPO White Form** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong 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.

If you are an Eligible Employee, and want the Hong Kong Offer Shares to be issued in your own name and want your application be given preferential treatment, use a **PINK** Application Form.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 am on Thursday, 28 July 2016 to 12:00 noon on Tuesday, 2 August 2016 from:

- (i) the office of the Hong Kong Underwriters:

Ample Orient Capital Limited	Unit 902, Far East Consortium Building 121 Des Voeux Road Central Hong Kong
Great Roc Capital Securities Limited	Room 3712, 37/F West Tower Shun Tak Centre 168–200 Connaught Road Central Hong Kong
Ping An Securities Limited	Unit 02, 2/F, China Merchants Building 152–155 Connaught Road Central Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

Astrum Capital Management Limited	Room 2704, 27/F, Tower 1 Admiralty Centre 18 Harcourt Road Hong Kong
Celestial Capital Limited	21/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
China-Hong Kong Link Securities Company Limited	17/F, 80 Gloucester Road Wanchai Hong Kong
Convoy Investment Services Limited	24C, @CONVOY 169 Electric Road North Point Hong Kong
Gransing Securities Co., Limited	Room 805–6, Far East Consortium Building 121 Des Voeux Road Central Hong Kong
Guotai Junan Securities (Hong Kong) Limited	28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Opus Capital Limited	18/F, Fung House 19–20 Connaught Road Central Central Hong Kong
Oriental Patron Securities Limited	27/F, Two Exchange Square 8 Connaught Place Central Hong Kong
Orient Securities (Hong Kong) Limited	28/F–29/F 100 Queen's Road Central Central Hong Kong
Pacific Foundation Securities Limited	11/F, New World Tower II 16–18 Queen's Road Central Hong Kong
Quam Securities Company Limited	18/F–19/F China Building 29 Queen's Road Central Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

SBI China Capital Financial Services Limited	Unit A2, 32/F United Centre 95 Queensway Hong Kong
Sun International Securities Limited	Unit 2412–13, 24/F China Merchants Tower Shun Tak Centre 168–200 Connaught Road Central Hong Kong

(ii) any of the branches of the following receiving banks:

Bank of China (Hong Kong) Limited

	Branch name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road Hong Kong
	Connaught Road Central Branch	13–14 Connaught Road Central Hong Kong
	409 Hennessy Road Branch	409–415 Hennessy Road Wan Chai Hong Kong
Kowloon	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza 68 Hoi Yuen Road Kwun Tong, Kowloon Hong Kong
New Territories	Tseung Kwan O Plaza Branch	Shop 112–125, Level 1 Tseung Kwan O Plaza Tseung Kwan O New Territories Hong Kong
	Kwai Chung Plaza Branch	A18–20, G/F Kwai Chung Plaza 7–11 Kwai Foo Road Kwai Chung New Territories Hong Kong
	Citywalk Branch	Shop 65, G/F, Citywalk 1 Yeung Uk Road, Tsuen Wan New Territories Hong Kong
	Kau Yuk Road Branch	18–24 Kau Yuk Road Yuen Long New Territories Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 am on Thursday, 28 July 2016 until 12:00 noon on Tuesday, 2 August 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Eligible Employees can collect a **PINK** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 28 July 2016 until 12:00 noon on Monday, 1 August 2016 from our Company's office at Office E, 28/F, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong. Electronic copies of the **PINK** Application Form and the prospectus can be viewed from the website of the Company at www.ausupreme.com and the Stock Exchange's website at www.hkexnews.hk.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to Bank of China (Hong Kong) Nominees Limited — Ausupreme Hong Kong Public Offering for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- 9:00 am to 5:00 pm, Thursday, 28 July 2016
- 9:00 am to 5:00 pm, Friday, 29 July 2016
- 9:00 am to 1:00 pm, Saturday, 30 July 2016
- 9:00 am to 5:00 pm, Monday, 1 August 2016
- 9:00 am to 12:00 noon, Tuesday, 2 August 2016

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 2 August 2016, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

Your completed **PINK** Application Form, together with a cheque or a banker's cashier order attached and marked payable to Bank of China (Hong Kong) Nominees Limited — Ausupreme Hong Kong Public Offering for the payment must be deposited in the collection box located at our Company's office at Office E, 28/F, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong by 12:00 noon on Monday, 1 August 2016.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (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 Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (ii) agree to comply with the Cayman Companies Law, Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Memorandum of Association and the 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 Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering 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 International Placing Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Joint Bookrunners, Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (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 Sponsor, the Sole Global Coordinator, the Joint Bookrunners, Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (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 the allotment of or application for the Hong Kong Offer Shares to or by each underlying applicant for whose benefit the application is made would not require our Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;
- (xiii) represent, warrant and undertake that (i) you understand that the Hong Kong 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 Hong Kong 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (xiv) warrant that the information you have provided is true and accurate;
- (xv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xvi) authorise our Company to place your name(s) or on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application;
- (xvii) 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 except in respect of Employee Reserved Shares applied under the Employee Preferential Offering;
- (xviii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xix) (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 except in respect of Employee Reserved Shares applied under the Employee Preferential Offering; and
- (xx) (if you are making the application as an agent for the benefit of another person) warrant that
 - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent except in respect of Employee Reserved Shares applied under the Employee Preferential Offering.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the eIPO white form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 am on Thursday, 28 July 2016 until 11:30 am on Tuesday, 2 August 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 2 August 2016 or such later time under the “10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application 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 Hong Kong 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong 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 Global Coordinator 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 Hong Kong 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 Hong Kong 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 Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - 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 Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong 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 Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- 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 Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, 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 Hong Kong 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 Hong Kong Public Offering 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 Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Hong Kong Offer Shares. Instructions for more than 4,000 Hong Kong 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 Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- 9:00 am to 8:30 pm⁽¹⁾, Thursday, 28 July 2016
- 8:00 am to 8:30 pm⁽¹⁾, Friday, 29 July 2016
- 8:00 am⁽¹⁾ to 8:30 pm — Monday, 1 August 2016
- 8:00 am⁽¹⁾ to 12:00 noon — Tuesday, 2 August 2016

CCASS Investor Participants can input **electronic application instructions** from 9:00 am on 28 July 2016 until 12:00 noon on Tuesday, 2 August 2016 (24 hours daily, except on the last application day).

Note:

(1) *These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.*

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 2 August 2016, the last application day or such later time as described in the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong 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 Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Sole Global Coordinator 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 Hong Kong 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/CASS 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 Tuesday, 2 August 2016.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong 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.

In addition, if you are an Eligible Employee you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee via **PINK** Application Form are liable to be rejected.

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 **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares. The **PINK** Application Form has a table showing the exact amount payable for multiples of Shares applied for up to 1,876,000 Employee Reserved Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

You may submit an application using a **WHITE** and/or **PINK** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure of the Global Offering — Pricing and Allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 am and 12:00 noon on Tuesday, 2 August 2016. 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 am and 12:00 noon.

If the application lists do not open and close on Tuesday, 2 August 2016 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 (i) the final Offer Price; (ii) the levels of indication of interest in the International Placing; (iii) the level of applications in respect of the Hong Kong Public Offering and the Employee Preferential Offering; and (iv) the basis of allotment of the under the Hong Kong Public Offering and the Employee Preferential Offering on Monday, 8 August 2016 in the Standard (in English) and the Hong Kong Economic Journal and the Hong Kong Economic Times (in Chinese) on our Company’s website at **www.ausupreme.com** and on 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 Hong Kong Public Offering and the Employee Preferential Offering 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.ausupreme.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Monday, 8 August 2016;
- 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 am on Monday, 8 August 2016 to 12:00 midnight on Friday, 12 August 2016;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- by telephone enquiry line by calling +852 3691-8488 between 9:00 am and 6:00 pm from Monday, 8 August 2016 to Thursday, 11 August 2016 on a Business Day; and
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 8 August 2016 to Wednesday, 10 August 2016 at all the receiving bank branches and sub-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 Hong Kong Offer Shares and/or the Employee Reserved Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares and/or the Employee Reserved Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, 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 Hong Kong Offer Shares and/or the Employee Reserved Shares is void:

The allotment of Hong Kong Offer Shares and/or the Employee Reserved Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee 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) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.
- you are an Eligible Employee, your application is for more than 1,876,000 Employee Reserved Shares.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.20 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

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 Monday, 8 August 2016.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (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) and one share certificate for all Employee Reserved Shares allotted to you under the Employee Preferential Offering.

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** or **PINK** 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 Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 8 August 2016. 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 the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE and/or PINK Application Form

If you are an Eligible Employee and you apply for 1,000,000 Employee Reserved Shares or more under the Employee Preferential Offering or you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 am to 1:00 pm on Monday, 8 August 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you are an Eligible Employee and you apply for less than 1,000,000 Employee Reserved Shares under the Employee Preferential Offering or you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, 8 August 2016, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 8 August 2016, 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 Monday, 8 August 2016, 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 Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering 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 Hong Kong Public Offering 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 Monday, 8 August 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 am to 1:00 pm on Monday, 8 August 2016, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, 8 August 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of name of eIPO refund system payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong 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 Monday, 8 August 2016, 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 Hong Kong Public Offering in the manner specified in "Publication of Results" above on Monday, 8 August 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 8 August 2016 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong 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 Hong Kong 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 Monday, 8 August 2016. Immediately following the credit of the Hong Kong 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 Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 8 August 2016.

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 Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report, received from the Company's joint reporting accountants, Crowe Horwath (HK) CPA Limited and Wellink CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

Wellink CPA Limited

Rms. 803-4, Kin Wing Commercial Building
24-30 Kin Wing Street, Tuen Mun, Hong Kong

28 July 2016

The Directors
Ausupreme International Holdings Limited

Ample Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Ausupreme International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) comprising the combined statements of financial position of the Group as at 31 March 2014, 2015 and 2016, the statement of financial position of the Company as at 31 March 2016, and the combined statements of profit or loss, 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 of the Group, for each of the years ended 31 March 2014, 2015 and 2016 (the “**Relevant Periods**”), together with the explanatory information thereto (the “**Financial Information**”), for inclusion in the prospectus of the Company dated 28 July 2016 (the “**Prospectus**”).

The Company was incorporated in the Cayman Islands on 17 April 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 30 June 2016 (the “**Reorganisation**”) as detailed in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in note 1(b) of Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

Except for Truth & Faith International (Macau) Limited and 信基奇恩(深圳)貿易有限公司, all the companies now comprising the Group have adopted 31 March as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 27 of section B.

The directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the “**Underlying Financial Statements**”) on the same basis as used in the preparation of the Financial Information set out in Section B below. The Underlying Financial Statements for each of the years ended 31 March 2014, 2015 and 2016 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 March 2016.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in note 1(b) of Section B below, a true and fair view of the financial position of the Group as at 31 March 2014, 2015 and 2016 and the Company as at 31 March 2016 and the Group's financial performance and cash flows for the Relevant Periods then ended.

A. COMBINED FINANCIAL INFORMATION

1. Combined statements of profit or loss

	Section B Note	Year ended 31 March		
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Revenue	3	195,461	225,788	210,840
Cost of sales		<u>(31,781)</u>	<u>(35,924)</u>	<u>(30,498)</u>
Gross profit		163,680	189,864	180,342
Other revenue	4(a)	599	523	627
Other net income	4(b)	252	—	—
Gain on disposal of a subsidiary	25	—	—	783
Gain on dissolution of a subsidiary		—	—	10
Selling and distribution expenses		(109,245)	(140,168)	(134,235)
General and administrative expenses		<u>(13,905)</u>	<u>(20,900)</u>	<u>(30,429)</u>
Profit from operations		41,381	29,319	17,098
Finance costs	5(a)	<u>(92)</u>	<u>(207)</u>	<u>(441)</u>
Profit before taxation	5	41,289	29,112	16,657
Income tax	6	<u>(6,714)</u>	<u>(5,938)</u>	<u>(4,364)</u>
Profit for the year attributable to equity owners of the Company		<u>34,575</u>	<u>23,174</u>	<u>12,293</u>

The accompanying notes form part of the Financial Information.

2. Combined statements of profit or loss and other comprehensive income

	Year ended 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Profit for the year	34,575	23,174	12,293
Other comprehensive income/(loss) for the year			
Item that may be reclassified subsequently to profit or loss or have been reclassified:			
— Exchange differences on translation of financial statements of overseas subsidiaries	14	(143)	199
— Reclassification of exchange reserve upon disposal and dissolution of subsidiaries.	—	—	(70)
	<u>14</u>	<u>(143)</u>	<u>129</u>
Total comprehensive income for the year attributable to equity owners of the Company	<u>34,589</u>	<u>23,031</u>	<u>12,422</u>

The accompanying notes form part of the Financial Information.

3. Combined statements of financial position

	Section B Note	As at 31 March		
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Non-current assets				
Property, plant and equipment	10	7,509	8,756	3,396
Rental deposits		5,240	4,571	2,902
Deferred tax assets	19(b)	1,538	1,384	1,420
		<u>14,287</u>	<u>14,711</u>	<u>7,718</u>
Current assets				
Inventories	11	12,760	11,387	9,825
Trade and other receivables	12	23,847	29,335	33,815
Amounts due from Controlling				
Shareholders	23(b)	—	801	—
Amount due from a related company	23(b)	—	38	—
Tax recoverable	19(a)	—	—	617
Pledged bank deposits	13	504	509	794
Cash and cash equivalents	14	31,761	41,287	31,655
		<u>68,872</u>	<u>83,357</u>	<u>76,706</u>
Current liabilities				
Trade and other payables	15	6,901	7,510	9,047
Amounts due to Controlling Shareholders	23(b)	8,283	2,706	—
Amount due to a related company	23(b)	264	—	—
Bank borrowings	16	7,522	15,030	12,850
Obligations under finance leases	17	128	65	62
Provisions	18	—	153	317
Dividend payables		18,003	10,000	—
Current taxation	19(a)	5,984	3,296	—
		<u>47,085</u>	<u>38,760</u>	<u>22,276</u>
Net current assets		<u>21,787</u>	<u>44,597</u>	<u>54,430</u>
Total assets less current liabilities		<u>36,074</u>	<u>59,308</u>	<u>62,148</u>
Non-current liabilities				
Obligations under finance leases	17	127	62	—
Deferred tax liabilities	19(b)	291	147	—
Provisions	18	—	412	193
		<u>418</u>	<u>621</u>	<u>193</u>
NET ASSETS		<u>35,656</u>	<u>58,687</u>	<u>61,955</u>
CAPITAL AND RESERVES				
Share capital	20	59	59	59
Reserves		35,597	58,628	61,896
Total equity attributable to equity owners of the Company		<u>35,656</u>	<u>58,687</u>	<u>61,955</u>

The accompanying notes form part of the Financial Information.

4. Statement of financial position of the Company

	<i>Note</i>	<u>As at 31 March 2016</u> HK\$'000
Current assets		
Other receivables		21
Cash and cash equivalents		<u>1</u>
		-----22
Current liabilities		
Amount due to a related company (see note below)		-----81
NET LIABILITIES		<u><u>(59)</u></u>
CAPITAL AND RESERVES		
Share capital	20(b)	—
Loss for the period from the date of incorporation to 31 March 2016		<u>(59)</u>
TOTAL EQUITY		<u><u>(59)</u></u>

Note: The amount is unsecured, interest-free and has no fixed repayment terms.

5. Combined statements of changes in equity

	Attributable to equity owners of the Company				
	Share Capital	Capital reserve	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2013	1,289	2	—	31,008	32,299
Changes in equity for 2013/14:					
Profit for the year	—	—	—	34,575	34,575
Other comprehensive income for the year					
— Exchange differences on translation of financial statements of overseas subsidiaries	—	—	14	—	14
Total comprehensive income for the year	—	—	14	34,575	34,589
Acquisition of a subsidiary from the Controlling Shareholders (see note (j) below)	(1,230)	(2)	—	—	(1,232)
Final dividend approved in respect of previous year	—	—	—	(10,000)	(10,000)
Interim dividend declared in respect of the current year	—	—	—	(20,000)	(20,000)
Balance at 31 March 2014	<u>59</u>	<u>—</u>	<u>14</u>	<u>35,583</u>	<u>35,656</u>
Balance at 1 April 2014	59	—	14	35,583	35,656
Changes in equity for 2014/15:					
Profit for the year	—	—	—	23,174	23,174
Other comprehensive income/(loss) for the year					
— Exchange differences on translation of financial statements of overseas subsidiaries	—	—	(143)	—	(143)
Total comprehensive income for the year	—	—	(143)	23,174	23,031
Balance at 31 March 2015	<u>59</u>	<u>—</u>	<u>(129)</u>	<u>58,757</u>	<u>58,687</u>

	Attributable to equity owners of the Company				
	Share Capital	Capital reserve	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2015	59	—	(129)	58,757	58,687
Changes in equity for 2015/16:					
Profit for the year	—	—	—	12,293	12,293
Other comprehensive income/(loss) for the year					
— Exchange differences on translation of financial statements of overseas subsidiaries	—	—	199	—	199
— Reclassification of exchange reserve upon disposal and dissolution of subsidiaries	—	—	(70)	—	(70)
Total comprehensive income for the year	—	—	129	12,293	12,422
Deemed capital contribution (see note (ii) below)	—	1,546	—	—	1,546
Interim dividend declared in respect of the current year	—	—	—	(10,700)	(10,700)
Balance at 31 March 2016	<u>59</u>	<u>1,546</u>	<u>—</u>	<u>60,350</u>	<u>61,955</u>

Note: (i) During the year ended 31 March 2014, Truth & Faith International Limited acquired 100% of the equity interest in T&F (Shenzhen) (defined in note 1(b) of Section II below), an enterprise under the control of the Controlling Shareholders, at the consideration of RMB1,000,000.

(ii) The deemed capital contribution represents the credits arising from (i) sale of the Group's property to the Controlling Shareholders (details of which are set out in note 23(c)(iv)) and (ii) waiver of debts owing by the Group to one of the Controlling Shareholders (details of which are set out in note 23(c)(v)).

The accompanying notes form part of the Financial Information.

6. Combined statements of cash flows

	Section B Note	Year ended 31 March		
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Operating activities				
Profit before taxation		41,289	29,112	16,657
Adjustments for:				
Depreciation		1,146	2,276	1,412
Interest income		(467)	(444)	(282)
Finance costs		92	207	441
Write-down of inventories		127	130	—
Loss on disposal of property, plant and equipment		—	255	—
Loss on write-off of property, plant and equipment		—	—	176
Loss on write-off of rental deposits		—	788	—
Gain on disposal of a subsidiary	25	—	—	(783)
Gain on dissolution of a subsidiary		—	—	(10)
Net foreign exchange difference.		26	(16)	151
		<u>42,213</u>	<u>32,308</u>	<u>17,762</u>
Changes in working capital:				
(Increase)/decrease in inventories		(2,697)	1,220	1,308
Increase in trade and other receivables		(11,259)	(5,635)	(3,183)
Increase in trade and other payables		621	609	1,553
Decrease in provisions		—	—	(55)
Changes in amount due to/from a related company.		—	(302)	38
		<u>28,878</u>	<u>28,200</u>	<u>17,423</u>
Cash generated from operations.				
Hong Kong profits tax paid		(5,982)	(8,616)	(8,099)
Overseas profits tax paid		—	—	(361)
		<u>22,896</u>	<u>19,584</u>	<u>8,963</u>
Net cash generated from operating activities				

	Section B Note	Year ended 31 March		
		2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Investing activities				
Payment for purchase of property, plant and equipment		(2,026)	(3,234)	(688)
Proceeds from disposal of property, plant and equipment		—	—	4,300
Increase in pledged bank deposits		(2)	(5)	(285)
Net cash outflow arising from disposal of a subsidiary	25	—	—	(254)
(Increase)/decrease in amounts due from Controlling Shareholders		—	(801)	801
Interest received		467	444	282
Net cash (used in)/generated from investing activities		(1,561)	(3,596)	4,156
Financing activities				
Proceeds from new bank loans		8,382	12,850	—
Repayment of bank loans		(2,922)	(5,342)	(2,180)
Capital element of finance lease rentals paid		(167)	(128)	(65)
Interest element of finance lease rentals paid		(18)	(9)	(5)
Other borrowing costs paid		(74)	(198)	(436)
Increase/(decrease) in amounts due to Controlling Shareholders		383	(5,594)	639
Dividend paid to the Controlling Shareholders		(22,568)	(8,003)	(20,700)
Net cash used in financing activities		(16,984)	(6,424)	(22,747)
Net increase/(decrease) in cash and cash equivalents				
Cash and cash equivalents at the beginning of the year		4,351	9,564	(9,628)
Effect of changes in foreign exchange rate		27,393	31,761	41,287
		17	(38)	(4)
Cash and cash equivalents at the end of the year	14	31,761	41,287	31,655

Major non-cash transaction:

- (a) During the years ended 31 March 2014, 2015 and 2016, the Group entered into rental agreements in respect of certain of its shops under operating leases. Pursuant to the terms and conditions of the rental agreements, the Group is required to restore the shops to the conditions as stipulated in the rental agreements. Accordingly, the Group has accrued and capitalised the estimated reinstatement cost of HK\$Nil, HK\$565,000 and HK\$Nil, respectively, when such obligations arose.
- (b) During the year ended 31 March 2016, an amount of approximately HK\$1,488,000 was waived by a Controlling Shareholder. This amount has been credited to capital reserve as deemed capital contribution by the Controlling Shareholders.

The accompanying notes form part of the Financial Information.

B. NOTES TO THE FINANCIAL STATEMENTS**1. SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Further details of the significant accounting policies adopted by Ausupreme International Holdings Limited (the “**Company**”) and its subsidiaries (together referred to as the “**Group**”) are set out in the remainder of this note 1 under Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing the Financial Information, the Group has adopted all these new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods and not adopted in this Financial Information are set out in note 26.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of preparation of the Financial Information

The Financial Information comprises the Company and its subsidiaries. The Financial Information has been prepared using the principles of merger accounting as if the Group had always been in existence as further explained below.

As detailed in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company was incorporated in the Cayman Islands on 17 April 2015 as part of the Reorganisation undertaken by the Group. Upon completion of the Reorganisation on 30 June 2016, the Company became the holding company of the companies now comprising the Group.

All the companies now comprising the Group that took part in the Reorganisation were controlled by Mr. Choy Chi Fai and Ms. Ho Ka Man (referred to as the “**Choy Family**” or the “**Controlling Shareholders**”) before and after the Reorganisation. As the control is not transitory and, consequently, there was a continuation of the risks and benefits to the Controlling Shareholders, the Reorganisation is considered to be a restructuring of entities under common control. The Financial Information has been prepared using the merger basis of accounting as if the Group has always been in existence. The net assets of the companies taking part in the Reorganisation are combined using the book values from the Controlling Shareholders’ perspective.

The combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flow of the Group for the Relevant Periods as set out in Section A of this report include the results of operations of the companies now comprising the Group (or where the companies were incorporated at a date later than 1 April 2013, for the period from the date of incorporation to 31 March 2016) as if the current group structure had been in existence and remained unchanged throughout the Relevant Periods. The combined statements of financial position of the Group as at 31 March 2014, 2015 and 2016 as set out in Section A of this report have been prepared to present the state of affairs of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates.

Intra-group balances and transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

As at the date of approval of this Financial Information, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Name of company	Place and date of incorporation	Registered/issued and fully paid up capital	Attributable equity interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Truth & Faith International Limited ("T&F (HK)")	Hong Kong 16 November 2001	HK\$10,000	100%	—	100%	Retail and wholesale of health and personal care products
Truth & Faith International (Macau) Limited ("T&F (Macau)")	Macau 12 October 2011	Macau Pataca ("MOP") MOP50,000	100%	—	100%	Retail of health and personal care products in Macau
Miracle Natural Products Limited ("Miracle Natural")	Hong Kong 12 May 2010	HK\$2	100%	—	100%	Wholesale of health and personal care products
Truth & Faith International (Singapore) Pte. Ltd ("T&F (Singapore)")	Singapore 26 September 2013 (Disposed on 31 August 2015)	Singapore dollars ("SGD") SGD200,000		(see note (ii) below)		Retail and wholesale of health and personal care products in Singapore
Ausupreme International Limited ("Ausupreme International")	Hong Kong 9 March 2015	HK\$2	100%	—	100%	Holding of trademarks
信基奇恩(深圳)貿易有限公司 ("T&F (Shenzhen)")	The PRC 20 September 2011 (Dissolved on 27 May 2015)	Renminbi ("RMB") RMB3,000,000		(see note (i) below)		Retail and wholesale of health and personal care products in the PRC
Faithfulness International Limited	The British Virgin Islands 16 June 2015	United States dollars ("US\$") US\$1	100%	100%	—	Investment holding
Gentleness International Limited	The British Virgin Islands 16 June 2015	US\$1	100%	100%	—	Investment holding
Goodness International Limited	The British Virgin Islands 16 June 2015	US\$1	100%	100%	—	Investment holding
Patience International Limited	The British Virgin Islands 16 June 2015	US\$1	100%	100%	—	Investment holding

Note:

- (i) This entity was a wholly foreign owned enterprise established in the People's Republic of China (the "PRC") and was dissolved on 27 May 2015.
- (ii) During the year ended 31 March 2016, T&F Singapore (a wholly-owned subsidiary of the Company) was disposed of, details of which are set out in note 25 of section B.

(c) Basis of measurement and use of estimates and judgements

The Financial Information are presented in Hong Kong dollars ("HK\$"), rounded to the nearest thousand, which is the functional currency of the Company and its subsidiaries carrying on business in Hong Kong. The measurement basis used in the preparation of the Financial Information is the historical cost basis.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

(d) Business combinations*(i) Business combinations involving entities under common control*

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the entity being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to equity. The combination date is the date on which one combining entity effectively obtains control of the other combining entities.

(ii) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. The acquirer, at the acquisition date, allocates the cost of the business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair value at that date.

(e) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Leasehold land classified as held under finance leases is depreciated over the unexpired term of lease.
- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years.
- Leasehold improvements The shorter of lease term and 5 years
- Furniture and fixtures 5 years
- Motor vehicles 3 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). Finance charges implicit

in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(i)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(i) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the reporting period in which the reversals are recognised.

(j) **Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the combined statements of cash flows.

(n) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the reporting period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Retirement benefits

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss as incurred.

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$25,000 prior to June 2014 or HK\$30,000. Contributions to the plan vest immediately.

The entity within the Group in the PRC participates in PRC local retirement schemes organised by relevant government authorities for its employees in the PRC and contributes to these schemes based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement contribution obligations payable to all existing and future retired employees under these schemes. Contributions to these schemes vest immediately.

The entity within the Group in Macao also participates in a central social security scheme operated by the Macao Special Administrative Region Government. The subsidiary operating in Macao is required to make contributions for its employees who are registered as residents to the central social security scheme. Contributions to this scheme vest immediately.

The entity within the Group in Singapore also participates in a central provident fund operated by the local government. The subsidiary operating in Singapore is required to make contributions for its employees who are registered as residents to the central provident fund. Contributions to this fund vest immediately.

(o) Income tax

Income tax for the reporting period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(r) Translation of foreign currencies

Foreign currency transactions during the reporting period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

- (1) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (2) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (1).
 - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Financial Information. Management bases the assumptions and estimates on historical experience and on other factors that the management believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of significant accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reporting results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The significant accounting policies are set out in note 1 above.

The key sources of estimation uncertainty are as follows:

(a) Impairment for property, plant and equipment

If circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised to reduce the carrying amounts to the recoverable amount in accordance with the accounting policy for impairment of these assets as described in note 1(i)(ii). The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of revenue and amount of operating costs. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(b) Assessment of economic useful lives of property, plant and equipment

Management estimates the useful lives of property, plant and equipment based on the periods over which the assets are expected to be available for use. Management reviews annually their estimated useful lives, based on factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought

about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation charges and decrease the carrying amount of property, plant and equipment.

(c) Impairment for trade receivables

Management estimates impairment losses for trade receivables (which are recorded in an allowance account for doubtful debts) resulting from the inability of the customers to make the required payments. Management bases its estimates on the ageing of the trade receivables balance, customer credit-worthiness and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than expected and could significantly affect the results in future periods.

(d) Net realisable value of inventories

As described in note 1(j), net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling the products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior periods and affect the Group's net assets value. Management reassesses these estimates at the end of each reporting period to ensure inventories are shown at the lower of cost and net realisable value.

(e) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences, unused tax losses and unused tax credits. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are retail and wholesale of health and personal care products during the Relevant Periods.

Revenue represents the sales value of goods supplied to customers. The amount of each significant category of revenue during the Relevant Periods is as follows:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Health supplement products	187,781	213,661	197,373
Honey and pollen products	4,158	6,223	7,203
Personal care products	<u>3,522</u>	<u>5,904</u>	<u>6,264</u>
	<u>195,461</u>	<u>225,788</u>	<u>210,840</u>

(b) Segment reporting

HKFRS 8 "Operating Segments" requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker (i.e., the board of directors of the Company) for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the retail and wholesale of health and personal care products.

(i) Information about geographical area

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's property, plant and equipment ("**specified non-current assets**"). The geographical location of customers is based on the location at which the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset.

The geographical information of the Group's revenue from external customers for the years ended 31 March 2014, 2015 and 2016, and specified non-current assets as at 31 March 2014, 2015 and 2016 is set out below:

	Revenue from external customers		
	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	184,153	200,516	185,944
Mainland China	1,404	1,463	45
Singapore	153	847	1,021
Macau	9,751	22,962	23,830
	<u>195,461</u>	<u>225,788</u>	<u>210,840</u>
	Specified non-current assets		
	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	7,473	8,394	3,361
Mainland China	21	—	—
Singapore	15	316	—
Macau	—	46	35
	<u>7,509</u>	<u>8,756</u>	<u>3,396</u>

(ii) Information about major customers and consignees

No revenue from the single customer contributed more than 10% of the Group's revenue for the Relevant Periods. In addition, revenue from the Group's consignees of the corresponding years contributing over 10% of the Group's revenue is as follows:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Consignee A	102,271	99,831	90,899
Consignee B	47,737	50,361	42,833
	<u>150,008</u>	<u>150,192</u>	<u>133,732</u>

4. OTHER REVENUE AND OTHER NET INCOME

(a) Other revenue

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Bank interest income on bank deposits	467	444	282
Others	132	79	345
	<u>599</u>	<u>523</u>	<u>627</u>

(b) Other net income

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Net foreign exchange gain	252	—	—
	<u>252</u>	<u>—</u>	<u>—</u>

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Total interest expense on financial liabilities not at fair value through profit or loss:			
Interest on bank borrowings wholly repayable within five years	74	198	436
Finance charges on obligations under finance leases	18	9	5
	<u>92</u>	<u>207</u>	<u>441</u>

(b) Staff costs (including directors' remuneration)

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Contributions to defined contribution retirement plans . .	1,035	1,554	1,590
Salaries, wages and other benefits	29,542	35,285	36,936
	<u>30,577</u>	<u>36,839</u>	<u>38,526</u>

(c) Other items

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Depreciation for property, plant and equipment	1,146	2,276	1,412
Operating lease charges in respect of properties			
— minimum lease payments	8,161	17,585	17,403
— contingent rent	—	3	1
Loss on write-off of rental deposits	—	788	—
Net foreign exchange (gain)/loss	(252)	568	1,164
Loss on disposal of property, plant and equipment	—	255	—
Loss on write-off of property, plant and equipment	—	—	176
Auditors' remuneration			
— audit services	239	508	624
Cost of inventories (<i>Note 11</i>)	31,781	35,924	30,498

6. INCOME TAX IN THE COMBINED STATEMENTS OF PROFIT OR LOSS

(a) Income tax in the combined statements of profit or loss represents:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Current tax — Hong Kong Profits Tax			
Provision for the year	7,718	5,516	4,229
Over-provision in respect of prior years	—	(10)	(50)
	<u>7,718</u>	<u>5,506</u>	<u>4,179</u>
Current tax — Overseas			
Provision for the year	—	422	368
Deferred tax			
Origination and reversal of temporary differences	(1,004)	10	(183)
Total	<u>6,714</u>	<u>5,938</u>	<u>4,364</u>

The provision for Hong Kong Profits Tax for each of the Relevant Periods is calculated at 16.5% of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation	41,289	29,112	16,657
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	6,637	4,312	2,606
Tax effect of non-deductible expenses	40	418	2,212
Tax effect of non-taxable income	(73)	(79)	(177)
Tax effect of tax losses not recognised	318	1,199	—
Over-provision in prior years	—	(10)	(50)
Others	(208)	98	(227)
Actual tax expense	6,714	5,938	4,364

7. DIRECTORS' REMUNERATION

The remuneration of the directors for the Relevant Periods is set out below:

For the year ended 31 March 2014

	Directors' fees	Salaries, allowances and benefits in kind	Contribution to defined contribution plan	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors				
Choy Chi Fai	511	—	—	511
Ho Ka Man	480	—	—	480
Ho Chun Kit, Saxony	—	739	15	754
Au Chun Kit	—	350	9	359
	991	1,089	24	2,104

For the year ended 31 March 2015

	Directors' fees	Salaries, allowances and benefits in kind	Contribution to defined contribution plan	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors				
Choy Chi Fai	—	—	—	—
Ho Ka Man	—	—	—	—
Ho Chun Kit, Saxony	—	761	18	779
Au Chun Kit	—	636	18	654
	—	1,397	36	1,433

For the year ended 31 March 2016

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Contribution to defined contribution plan HK\$'000	Total HK\$'000
Executive directors				
Choy Chi Fai	—	—	—	—
Ho Ka Man	—	—	—	—
Ho Chun Kit, Saxony	—	868	18	886
Au Chun Kit.	—	695	18	713
	<u>—</u>	<u>1,563</u>	<u>36</u>	<u>1,599</u>

Notes:

- (i) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods. No director waived or agreed to waive any emoluments during the Relevant Periods.
- (ii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the Relevant Periods.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 1, 1 and 2 are directors of the Company for the years ended 31 March 2014, 2015 and 2016, respectively, whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Salaries and other emoluments	3,188	2,876	2,028
Contributions to retirement benefits schemes	60	69	54
	<u>3,248</u>	<u>2,945</u>	<u>2,082</u>

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Year ended 31 March		
	2014 Number of individuals	2015 Number of individuals	2016 Number of individuals
HK\$Nil–HK\$1,000,000	<u>4</u>	<u>4</u>	<u>3</u>

No emoluments were paid or payable by the Group to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

9. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on the combined basis as disclosed in note 1(b) of Section B above.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings held for own use carried at cost HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 April 2013.	5,587	851	885	1,004	8,327
Additions	—	1,612	414	—	2,026
Exchange adjustments	—	—	1	—	1
At 31 March 2014.	5,587	2,463	1,300	1,004	10,354
At 1 April 2014.	5,587	2,463	1,300	1,004	10,354
Additions	—	3,400	399	—	3,799
Disposals	—	(380)	(319)	—	(699)
Exchange adjustments	—	(36)	(6)	—	(42)
At 31 March 2015.	5,587	5,447	1,374	1,004	13,412
At 1 April 2015.	5,587	5,447	1,374	1,004	13,412
Additions	—	548	140	—	688
Disposals	(4,933)	(250)	(37)	—	(5,220)
Write-off	—	(527)	(27)	—	(554)
Disposal of a subsidiary (<i>note 25</i>)	—	(516)	(113)	—	(629)
Exchange adjustments	—	(14)	(3)	—	(17)
At 31 March 2016.	654	4,688	1,334	1,004	7,680
Accumulated depreciation					
At 1 April 2013.	497	270	420	511	1,698
Charge for the year	128	493	224	301	1,146
Exchange adjustments	—	—	1	—	1
At 31 March 2014.	625	763	645	812	2,845
At 1 April 2014.	625	763	645	812	2,845
Charge for the year	128	1,682	304	162	2,276
Written back on disposals	—	(133)	(311)	—	(444)
Exchange adjustments	—	(18)	(3)	—	(21)
At 31 March 2015.	753	2,294	635	974	4,656

	Leasehold land and buildings held for own use carried at cost HK\$'000	Leasehold improvement HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 April 2015.	753	2,294	635	974	4,656
Charge for the period	46	1,068	268	30	1,412
Written back on disposals	(704)	(250)	(26)	—	(980)
Written back on write-off	—	(364)	(13)	—	(377)
Disposal of a subsidiary (<i>note 25</i>)	—	(365)	(50)	—	(415)
Exchange adjustments	—	(11)	(1)	—	(12)
At 31 March 2016.	<u>95</u>	<u>2,372</u>	<u>813</u>	<u>1,004</u>	<u>4,284</u>
Carrying amount:					
At 31 March 2014.	<u>4,962</u>	<u>1,700</u>	<u>655</u>	<u>192</u>	<u>7,509</u>
At 31 March 2015.	<u>4,834</u>	<u>3,153</u>	<u>739</u>	<u>30</u>	<u>8,756</u>
At 31 March 2016.	<u>559</u>	<u>2,316</u>	<u>521</u>	<u>—</u>	<u>3,396</u>

(a) Leasehold land and buildings are situated in Hong Kong and are held on medium term lease. As at 31 March 2014 and 2015, the leasehold land and buildings of the Group with carrying amount of approximately HK\$4,370,000 and HK\$4,257,000, respectively, were pledged to secure certain of the Group's bank borrowings (note 16). During the year ended 31 March 2016, the leasehold land and building was disposed of and the charge over the leasehold land and building was released.

(b) As at 31 March 2014, 2015 and 2016, the carrying amount of motor vehicles held under finance leases was approximately HK\$192,000, HK\$30,000, and HK\$Nil respectively.

11. INVENTORIES

	As at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Goods for resale	<u>12,760</u>	<u>11,387</u>	<u>9,825</u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Carrying amount of inventories sold	31,654	35,794	30,498
Write down of inventories	127	130	—
	<u>31,781</u>	<u>35,924</u>	<u>30,498</u>

The write-down of inventories made in the years ended 31 March 2014 and 2015 arose due to a decrease in the estimated net realisable value of certain goods as a result of a change in consumer preferences.

12. TRADE AND OTHER RECEIVABLES

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	18,220	24,003	25,196
Other receivables	31	—	—
Deposits and prepayments	5,596	5,332	8,619
	<u>23,847</u>	<u>29,335</u>	<u>33,815</u>

(a) Ageing analysis of trade receivables

As of the end of each reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date, is as follows:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	8,334	13,697	8,215
31–60 days	9,884	10,303	5,885
61–90 days	2	—	5,819
Over 90 days	—	3	5,277
	<u>18,220</u>	<u>24,003</u>	<u>25,196</u>

Trade receivables are normally due within 30 days to 120 days. Further details on the Group's credit policy are set out in note 22(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 1(i)(i)). At 31 March 2014, 2015 and 2016, none of trade receivables was individually determined to be impaired.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired	13,171	17,444	13,435
Less than 30 days past due	5,026	6,338	8,861
31–90 days past due	23	218	2,888
Over 90 days past due	—	3	12
	<u>5,049</u>	<u>6,559</u>	<u>11,761</u>
	<u>18,220</u>	<u>24,003</u>	<u>25,196</u>

Receivables that were neither past due nor impaired relate to a range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13. PLEDGED BANK DEPOSITS

Pledged bank deposits represent cash maintained at banks as security for issuance of letters of guarantee to the landlords of the Group under certain tenancy agreements.

14. CASH AND CASH EQUIVALENTS

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents in the combined statements of financial position and combined statements of cash flows:			
— Cash at bank and on hand	<u>31,761</u>	<u>41,287</u>	<u>31,655</u>

As at 31 March 2014, 2015 and 2016, cash and cash equivalents in the amount of approximately HK\$13,852,000, HK\$15,100,000 and HK\$41,000, respectively, are denominated in Renminbi. Of these, as at 31 March 2014, 2015 and 2016, HK\$683,000, HK\$1,453,000 and HK\$Nil, respectively, are placed with financial institutions in the PRC, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC Government.

15. TRADE AND OTHER PAYABLES

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Trade payables	3,072	2,505	3,134
Accrued staff costs	3,283	3,831	4,625
Other accruals and payables	546	1,174	1,288
	<u>6,901</u>	<u>7,510</u>	<u>9,047</u>

Ageing analysis of trade payables

As at 31 March 2014, 2015 and 2016, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	—	379	1,085
31–90 days	3,072	2,126	2,049
	<u>3,072</u>	<u>2,505</u>	<u>3,134</u>

16. BANK BORROWINGS

The bank borrowings are repayable within 1 year or on demand and can be analysed as follows:

	Note	As at 31 March		
		2014	2015	2016
		HK\$'000	HK\$'000	HK\$'000
Bank loans				
— secured	(i)	2,301	2,180	—
— unsecured and guaranteed	(ii) and (iii)	5,221	12,850	12,850
		<u>7,522</u>	<u>15,030</u>	<u>12,850</u>

At 31 March 2014, 2015 and 2016, interest-bearing bank loans were due for repayment as follows:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Portion of bank loans due for repayment within 1 year*	5,342	12,974	12,850
Bank loans due for repayment after 1 year*			
After 1 year but within 2 years.	124	126	—
After 2 years but within 5 years.	387	396	—
Over 5 years	1,669	1,534	—
	<u>2,180</u>	<u>2,056</u>	<u>—</u>
	<u>7,522</u>	<u>15,030</u>	<u>12,850</u>

* The amounts due are based on the scheduled repayment dates as stipulated in the respective loan agreements.

At 31 March 2014, 2015 and 2016, all the bank loans were classified as current bank borrowings due to the fact that the corresponding loan agreements included a clause that the banks have an unconditional right to call the loans at any time notwithstanding any other terms and maturity as set out in the loan agreements.

Notes:

At 31 March 2014, 2015 and 2016, the bank loans were secured by:

- (i) As at 31 March 2014 and 2015, a bank loan of approximately HK\$2,301,000 and HK\$2,180,000 was secured by (1) the leasehold land and buildings held by the Group with carrying amount of HK\$4,370,000 and HK\$4,257,000, respectively, and (2) personal guarantee provided by Choy Chi Fai, a director of the Company and one of the Controlling Shareholders. During the year ended 31 March 2016, the bank loan was fully repaid and the charges over the leasehold land and buildings were released.

Interest on the bank loan is charged on the daily basis at 3.1% per annum below the bank's prime rate.

- (ii) As at 31 March 2014, term loans of approximately HK\$5,221,000 were secured by personal guarantees provided by Choy Chi Fai and Ho Ka Man, the directors of the Company and the Controlling Shareholders. During the year ended 31 March 2015, the term loans were fully repaid.

Interests on the bank loans were charged on the outstanding amount at one-month Hong Kong Interbank Offer Rate ("HIBOR") plus 3% per annum.

- (iii) As at 31 March 2015 and 2016, a revolving bank loan of approximately HK\$12,850,000 was secured by (1) the property owned by a related company, which is beneficially owned and controlled by the Controlling Shareholders, and (2) personal guarantees provided by Choy Chi Fai and Ho Ka Man, the directors of the Company and the Controlling Shareholders. The charges over the related company's property and personal guarantees will be released upon listing.

Interest on the bank loan is charged on the outstanding amount at a range of 2.4% to 3.5% per annum over HIBOR.

17. OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2014, 2015 and 2016, the Group had obligations under finance leases repayable as follows:

	As at 31 March					
	2014		2015		2016	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	128	137	65	69	62	64
After 1 year but within 2 years	65	69	62	64	—	—
After 2 years but within 5 years	62	64	—	—	—	—
	<u>127</u>	<u>133</u>	<u>62</u>	<u>64</u>	<u>—</u>	<u>—</u>
	<u>255</u>	270	<u>127</u>	133	<u>62</u>	64
Less: total future interest expenses		(15)		(6)		(2)
Present value of lease obligations		<u>255</u>		<u>127</u>		<u>62</u>

18. PROVISIONS

The movements in the provision for reinstatement costs are as follows:

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
At the beginning of the year	—	565
Provisions made during the year	565	—
Amounts utilised during the year	—	(55)
At the end of year	565	510
Less: Non-current portion	(412)	(193)
Portion classified as current liabilities	<u>153</u>	<u>317</u>

Under the terms of the license agreements signed with landlords, the Group shall remove and re-instate the rental premises at the Group's cost upon expiry of the relevant license agreements. Provision is therefore made for the best estimate of the expected reinstatement costs to be incurred.

19. INCOME TAX IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the combined statements of financial position represents:

	As at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Provision for Hong Kong			
Profits Tax for the year	7,718	5,516	4,229
Provisional Profits Tax paid	(1,734)	(2,642)	(5,275)
	5,984	2,874	(1,046)
Provision for Overseas tax	—	422	368
Balance of Overseas tax provision relating to prior year	—	—	61
Tax payable/(recoverable)	5,984	3,296	(617)

(b) Deferred tax assets and liabilities recognised

The components of deferred tax (assets)/liabilities recognised in the combined statements of financial position and the movements during the years are as follows:

<u>Deferred tax arising from:</u>	<u>Unrealised profit arising from intra-group transactions</u> HK\$'000	<u>Depreciation allowances in excess of related depreciation</u> HK\$'000	<u>Others</u> HK\$'000	<u>Total</u> HK\$'000
At 1 April 2013.	(707)	464	—	(243)
Credited to profit or loss	(831)	(61)	(112)	(1,004)
At 31 March 2014	(1,538)	403	(112)	(1,247)
At 1 April 2014.	(1,538)	403	(112)	(1,247)
(Credited)/charged to profit or loss.	154	(119)	(25)	10
At 31 March 2015	(1,384)	284	(137)	(1,237)
At 1 April 2015.	(1,384)	284	(137)	(1,237)
Charged/(credited) to profit or loss.	338	(521)	—	(183)
At 31 March 2016	(1,046)	(237)	(137)	(1,420)

Reconciliation to the combined statements of financial position is as follows:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Net deferred tax assets recognised in the combined statements of financial position	(1,538)	(1,384)	(1,420)
Net deferred tax liabilities recognised in the combined statements of financial position	291	147	—
	<u>(1,247)</u>	<u>(1,237)</u>	<u>(1,420)</u>

(c) Deferred tax assets and liabilities not recognised

There were no material unrecognised deferred tax assets and liabilities as at 31 March 2014, 2015 and 2016.

20. CAPITAL AND RESERVES

(a) Movement in component of equity

The reconciliation between the opening and closing balances of each component of the Group's combined equity is set out in the combined statements of changes in equity.

(b) Share capital

The Company was incorporated on 17 April 2015 with an authorised capital of 38,000,000 ordinary shares with par value of HK\$0.01 each.

On 17 April 2015, 1 share was allotted and issued as fully paid share to an initial subscriber. On the same date, initial subscriber transferred the share to Beatitudes International Limited, which is wholly-owned by the Controlling Shareholders.

The Reorganisation was not completed as at 31 March 2016. For the purpose of this Financial Information, the share capital as at 31 March 2014, 2015 and 2016 represented the aggregate amount of share capital of the companies comprising the Group which existed at the respective dates, after elimination of investments in subsidiaries.

(c) Nature and purpose of reserves

(i) Capital reserve

The capital reserve was arisen from waiver of debts owing by the Group to one of the Controlling Shareholders.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(r).

(d) Retained earnings available for distribution

The Company was incorporated on 17 April 2015 and has not carried on any business during the Relevant Periods. Accordingly, there were no retained earnings available for distribution to equity owners as at 31 March 2016.

(e) Dividends

Dividends during each of the years ended 31 March 2014, 2015 and 2016 represented dividends declared by the companies now comprising the Group to the Controlling Shareholders for each of the years ended 31 March 2014, 2015 and 2016, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this Financial Information.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to capital structure in light of changes in economic conditions.

The Group monitors its capital structure with reference to its debt position. The Group's strategy was to maintain the equity and debt position and ensure there is adequate working capital to service its debt obligation. At 31 March 2014, 2015 and 2016, the ratio of the Group's total liabilities over its total assets was 57%, 40% and 27%, respectively.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

21. FINANCIAL INSTRUMENTS BY CATEGORY

The table below is an analysis of the carrying amounts of financial instruments by category as at the end of each of the Relevant Periods:

	As at 31 March		
	2014	2015	2016
	HKD'000	HKD'000	HKD'000
<i>Financial assets</i>			
Loans and receivables			
Trade receivables	18,220	24,003	25,196
Refundable deposits	6,473	7,124	7,470
Amounts due from Controlling Shareholders	—	801	—
Amount due from a related company	—	38	—
Other receivables	31	—	—
Pledged bank deposits	504	509	794
Cash and cash equivalents	31,761	41,287	31,655
	<u>56,989</u>	<u>73,762</u>	<u>65,115</u>
<i>Financial liabilities</i>			
Financial liabilities measured at amortised cost			
Trade payables	3,072	2,505	3,134
Accrued staff costs	3,283	3,831	4,625
Other accruals and payables	546	1,174	1,288
Dividend payables	18,003	10,000	—
Amounts due to Controlling Shareholders	8,283	2,706	—
Amount due to a related company	264	—	—
Bank borrowings	7,522	15,030	12,850
Obligations under finance leases	255	127	62
	<u>41,228</u>	<u>35,373</u>	<u>21,959</u>

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's major financial instruments include trade and other receivables, pledged bank deposits, cash and cash equivalents, trade and other payables, bank borrowings, obligation under finance leases, dividend payables and amounts due from/to Controlling Shareholders and a related company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, pledged bank deposits and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the past history of making payments of the customers/debtors when due and current ability to pay, and take into account information specific to the customers/debtors as well as pertaining to the economic environment in which the customers/debtors operate.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer/debtor rather than the industry or country in which the customers/debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers/debtors. As at 31 March 2014, 2015 and 2016, 52%, 39% and 29% of the trade debtors, respectively, were due from the Group's largest customers and consignees; and 96%, 91% and 91% of the trade debtors, respectively, were due from the Group's five largest customers and consignees.

The credit risk is also concentrated on amounts due from Controlling Shareholders of the Group. In order to minimise the credit risk, the management of the Group closely monitors the exposure and reviews the recoverable amounts of such receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 12.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash outflows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 March 2014					Carrying Amount HK\$'000
	On demand or within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Trade and other payables	6,901	—	—	—	6,901	6,901
Dividend payables	18,003	—	—	—	18,003	18,003
Amounts due to Controlling Shareholders	8,283	—	—	—	8,283	8,283
Amount due to a related company	264	—	—	—	264	264
Bank borrowings	7,522	—	—	—	7,522	7,522
Obligations under finance lease	137	69	64	—	270	255
	<u>41,110</u>	<u>69</u>	<u>64</u>	<u>—</u>	<u>41,243</u>	<u>41,228</u>

	As at 31 March 2015					Carrying Amount HK\$'000
	On demand or within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Trade and other payables	7,510	—	—	—	7,510	7,510
Dividend payables	10,000	—	—	—	10,000	10,000
Amounts due to Controlling Shareholders	2,706	—	—	—	2,706	2,706
Bank borrowings	15,030	—	—	—	15,030	15,030
Obligations under finance lease	69	64	—	—	133	127
	<u>35,315</u>	<u>64</u>	<u>—</u>	<u>—</u>	<u>35,379</u>	<u>35,373</u>
	As at 31 March 2016					Carrying Amount HK\$'000
	On demand or within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Trade and other payables	9,047	—	—	—	9,047	9,047
Bank borrowings	12,850	—	—	—	12,850	12,850
Obligations under finance lease	64	—	—	—	64	62
	<u>21,961</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>21,961</u>	<u>21,959</u>

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The interest rate profile of the Group's bank borrowings was:

	Note	As at 31 March		
		2014	2015	2016
		HK\$'000	HK\$'000	HK\$'000
Variable rate instruments				
Financial liabilities — bank borrowings	16	<u>(7,522)</u>	<u>(15,030)</u>	<u>(12,850)</u>

As at 31 March 2014, 2015 and 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates for bank borrowings, with all other variables held constant, would increase/decrease the Group's profit for the year and retained earnings by approximately HK\$63,000, HK\$126,000 and HK\$107,000, respectively.

The sensitivity analysis above indicates annualised impact on the Group's profit after taxation (and retained earnings) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis has been performed on the same basis throughout the Relevant Periods.

(d) **Currency risk**(i) **Exposure to currency risk**

For presentation purposes, the Group's financial information is shown in Hong Kong dollars ("HKD"). The companies within the Group, whose functional currencies are different from Hong Kong dollars, have translated their financial information into HKD for combination purpose.

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Japanese yen, Australian dollars and Renminbi.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the reporting dates.

	Exposure to foreign currencies (expressed in Hong Kong dollars)								
	As at 31 March								
	2014			2015			2016		
	Japanese yen HK\$'000	Australian dollars HK\$'000	Renminbi HK\$'000	Japanese yen HK\$'000	Australian dollars HK\$'000	Renminbi HK\$'000	Japanese yen HK\$'000	Australian dollars HK\$'000	Renminbi HK\$'000
Cash and cash equivalents	377	6,643	13,158	324	5,634	13,642	345	5,665	41
Trade and other payables	—	(3,072)	—	—	(2,429)	—	—	(3,045)	—
Gross exposure arising from recognised assets and liabilities	<u>377</u>	<u>3,571</u>	<u>13,158</u>	<u>324</u>	<u>3,205</u>	<u>13,642</u>	<u>345</u>	<u>2,620</u>	<u>41</u>

(ii) **Sensitivity analysis**

The following table indicates the instantaneous change in the Group's profit after taxation and retained earnings that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As at 31 March					
	2014		2015		2016	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained earnings HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained earnings HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained earnings HK\$'000
Australian dollars	5%	149	5%	134	5%	109
	(5)%	(149)	(5)%	(134)	(5)%	(109)
Renminbi	5%	549	5%	570	5%	2
	(5)%	(549)	(5)%	(570)	(5)%	(2)
Japanese yen	5%	16	5%	14	5%	14
	(5)%	(16)	(5)%	(14)	(5)%	(14)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation and equity measured in the respective functional currency, translated to Hong Kong dollars at the exchange rate ruling at the end of the reporting periods for presentation purposes. The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting periods, including inter-company payables and receivables within the Group which are denominated in a currency other than

the functional currency of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

(e) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2014, 2015 and 2016.

23. MATERIAL RELATED PARTY TRANSACTIONS

During the years ended 31 March 2014, 2015 and 2016, the transactions or balances with the following parties were considered to be related party transactions:

Name of party	Relationship with the Group
Choy Chi Fai ("Mr. Choy")	Executive director and one of the Controlling Shareholders
Ho Ka Man	Executive director and one of the Controlling Shareholders
Ho Chun Kit, Saxony	Executive director of the Company
Au Chun Kit	Executive director of the Company
Prof Kiu International Limited ("Prof Kiu")	Beneficially owned and controlled by the Controlling Shareholders

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7, is as follows:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and other benefits	2,080	1,397	1,563
Contributions to defined contribution retirement plans . .	<u>24</u>	<u>36</u>	<u>36</u>
	<u>2,104</u>	<u>1,433</u>	<u>1,599</u>

Total remuneration is included in "staff costs" (see note 5(b)).

(b) Financing arrangements

	Note	As at 31 March		
		2014	2015	2016
		HK\$'000	HK\$'000	HK\$'000
Amount due (to)/from a related company				
— Prof Kiu International Limited	(i), (ii), (iii)	(264)	38	—
Amounts due (to)/from Controlling Shareholders				
— Choy Chi Fai	(i), (ii), (iii)	(5,242)	(2,706)	—
— Ho Ka Man	(i), (ii), (iii)	(3,041)	801	—
		<u>(8,283)</u>	<u>(1,905)</u>	<u>—</u>

- (i) The outstanding balances with these parties are unsecured, interest free, non-trade in nature and have no fixed repayment terms.
- (ii) No provisions for bad and doubtful debts have been made in respect of the amount due from a related company and amounts due from Controlling Shareholders as at 31 March 2015.
- (iii) The maximum outstanding due from related parties during the years ended 31 March 2014, 2015 and 2016 are as follows:

	Maximum balance outstanding during the year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Amounts due from Controlling Shareholders			
— Choy Chi Fai	—	—	4,874
— Ho Ka Man	—	801	4,873
Amount due from a related company			
— Prof Kiu International Limited	<u>—</u>	<u>38</u>	<u>38</u>

(c) Other related party transactions

- (i) In addition to the related party transactions disclosed elsewhere in the Financial Information, the Group had the following transactions with related parties during the Relevant Periods which the directors consider to be material:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Rental expenses	360	360	360

Rental expenses were paid to Prof Kiu in accordance with the terms of underlying contracts. The directors are of the opinion that the above transactions were entered into normal course of business.

- (ii) Commitments under an operating lease payable to Prof Kiu:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	90	360	90
After 1 year but within 5 years	—	90	—
	<u>90</u>	<u>450</u>	<u>90</u>

The lease related to Prof Kiu runs for an initial period of 2 years and the related commitments are included in note 24.

- (iii) The Controlling Shareholders have provided their personal guarantees to the banks for the banking facilities granted to the Group during the years ended 31 March 2014, 2015 and 2016. Details of such personal guarantees are disclosed in note 16. In addition, during the years ended and as at 31 March 2015 and 2016, the property of Prof Kiu has been pledged to a bank for banking facilities granted to the Group. The charges over the property of Prof Kiu and the personal guarantees will be released upon listing.
- (iv) On 21 July 2015, T&F (HK) entered into a provisional agreement for sale and purchase with the Controlling Shareholders, in which T&F (HK) conditionally agreed to sell its leasehold land and building with a carrying amount of HK\$4,242,000 to the Controlling Shareholders at a consideration of HK\$4,300,000, which was based on mutually agreed term by reference to the carrying amount of the leasehold land and building, subject to the term and conditions in the agreement, resulting in a deemed contribution from the Controlling Shareholders of HK\$58,000 on disposal. The sale and purchase was completed on 21 July 2015. The fair market value of the leasehold land and building at the date of disposal was HK\$9,850,000.
- (v) During the year ended 31 March 2016, an amount of approximately HK\$1,488,000 was waived by Mr. Choy, the Controlling Shareholder of the Group. This amount has been credited to capital reserve as deemed capital contribution by the Controlling Shareholder.

24. OPERATING LEASES COMMITMENTS

The Group as lessee

At 31 March 2014, 2015 and 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	14,525	15,286	12,161
After 1 year but within 5 years	19,678	8,797	6,430
	<u>34,203</u>	<u>24,083</u>	<u>18,591</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the leases when all terms are renegotiated. Certain rentals for the use of shops are determined by reference to the revenue of the relevant shops for the year and the rentals for certain shops will be escalated by a fixed percentage per annum.

25. DISPOSAL OF A SUBSIDIARY

During the year ended 31 March 2016, T&F (HK) entered into an agreement to sell a 100% equity interest in its subsidiary, T&F (Singapore), to Seen Peng Ying ("Purchaser"), a director of T&F (Singapore), at a consideration of SGD1,000 (equivalent to HK\$5,000). The disposal was completed on 31 August 2015.

	HK\$'000
Net liabilities of the subsidiary disposed of:	
Property, plant and equipment	214
Inventories	247
Trade and other receivables	363
Cash and cash equivalents	259
Other accruals and payables	(16)
Amount due to one of the Controlling Shareholders	<u>(1,785)</u>
	(718)
Release of exchange reserve upon the disposal	(60)
Gain on disposal of the subsidiary	<u>783</u>
	<u>5</u>
Total consideration satisfied by:	
Cash	<u>5</u>
Net cash outflow arising from the disposal of a subsidiary:	
Consideration received in cash	5
Less: Cash and cash equivalents disposed of	<u>(259)</u>
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>(254)</u>

26. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issuance of this Financial Information, the HKICPA has issued the following amendments and new standards which are not yet effective for the Relevant Periods and which have not been early adopted in this Financial Information. These include the following which may be relevant to the Group.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ²
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Effective for annual periods beginning on or after a date to be determined

HKFRS 9 “Financial Instruments”

HKFRS 9 replaces the existing guidance in HKAS 39 “Financial Instruments: Recognition and Measurement”. HKFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from HKAS 39.

The Group does not plan to early adopt this standard and is currently assessing the financial impact of this standard to the Group's financial position and performance. However, at the date of issuance of this Financial Information, the Group anticipates that this standard is not expected to have any significant impact on the Group's financial position and performance.

HKFRS 15 “Revenue from contracts with customers”

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and HK(IFRIC)-Int 13 “Customer Loyalty Programs”.

It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

This standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The five steps are as follows:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

An entity may adopt HKFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it from the date of initial application by adjusting opening balances at that date. Transitional disclosures are different depending on the approach adopted by the entity.

The Group does not plan to early adopt this standard and is currently assessing the financial impact of this standard to the Group's financial position and performance. However, at the date of issuance of this Financial Information, the Group anticipates that this standard is not expected to have any significant impact on the Group's financial position and performance.

HKFRS 16 "Leases"

HKFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, HKFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces HKAS 17 "Leases" and the related interpretations including HK(IFRIC)-Int 4 "Determining whether an arrangement contains a lease".

For lessee accounting, HKFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or financial leases, and to account for those two types of leases differently.

As set out in note 24 above, total operating lease commitment of the Group in respect of commercial properties with terms more than 12 months as at 31 March 2016 amounting to HK\$18,591,000. The management of the Group do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that the certain portion of the lease commitment at the date of issuance of this Financial Information will be required to be recognised in the combined statement of financial position as right-of-use assets and lease liabilities.

Amendments to HKFRSs and HKASs

The Group has already commenced the assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Financial Information.

27. INFORMATION OF STATUTORY FINANCIAL STATEMENTS OF THE COMPANIES COMPRISING THE GROUP

The statutory financial statements of the companies now comprising the Group, which were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the countries in which they were incorporated, were audited during the Relevant Periods by their respective statutory auditors as indicated below:

<u>Name of company</u>	<u>Financial year</u>	<u>Statutory auditors</u>
T&F (HK)	Year ended 31 March 2014 Year ended 31 March 2015	Wellink CPA Limited Wellink CPA Limited
Miracle Natural.	Year ended 31 March 2014 Year ended 31 March 2015	Wellink CPA Limited Wellink CPA Limited
T&F (Shenzhen) (Dissolved on 27 May 2015) . . .	Years ended 31 December 2013 and 2014	Shenzhen Jiexin Certified Public Accountants (深圳捷信會計師事務所)

The statutory financial statements of these companies for the year ended 31 March 2016 were not available as of the date of approval of this Financial Information.

As at the date of approval of this Financial Information, no audited financial statements have been prepared for the Company, Truth & Faith International (Singapore) Pte. Ltd, Truth & Faith International (Macau) Limited and Ausupreme International Limited, Faithfulness International Limited, Gentleness International Limited, Goodness International Limited and Patience International Limited, as they either were newly established that their first statutory audits are not yet prepared or are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

28. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 March 2016, the directors consider the immediate parent of the Group to be Beatitudes International Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use. The ultimate controlling parties of the Group are Mr. Choy Chi Fai and Ms. Ho Ka Man.

29. EVENTS AFTER THE RELEVANT PERIODS

The following significant event took place subsequent to 31 March 2016:

- (a) On 23 June 2016, T&F (HK), a subsidiary of the Company declared and paid an interim dividend of HK\$7,100,000 to its then shareholders, which are also the Controlling Shareholders.
- (b) On 30 June 2016, the Group completed the Reorganisation to rationalise the Group's structure in the preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group.

(c) On 20 July 2016, written resolutions of the Company's sole shareholder were passed to approved the matters as set out in the section "Statutory and General Information" in Appendix IV to the Prospectus. It was resolved, among other things, that:

(i) Increase in Authorised Share Capital

the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 ordinary shares of HK\$0.01 each by the creation of an additional of 1,962,000,000 ordinary shares of HK\$0.01 each, each ranking *pari passu* with the ordinary shares then in issue in all respects (the "Increase in Authorised Share Capital"); and

(ii) Capitalisation Issue

following the Increase in Authorised Share Capital and conditional further on the share premium account of the Company being credited as a result of the global offering of the Company's ordinary shares set out in the section headed "Share Capital" in the Prospectus, the directors of the Company were authorised to capitalise an amount of HK\$5,624,900 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 562,490,000 ordinary shares for allotment and issue to the persons whose names appear on the principal register of members of the Company in the Cayman Islands at the close of business on 20 July 2016 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in the Company, each ranking *pari passu* in all respects with the then existing issued ordinary shares, and the directors of the Company were authorised to give effect to such capitalisation.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 March 2016.

Yours faithfully
Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong

Yau Hok Hung
Practising Certificate Number P04911

Yours faithfully
Wellink CPA Limited
Certified Public Accountants
Hong Kong

Ngan Hing Hon
Practising Certificate Number P05294

The information set out in this appendix does not form part of the accountants' report prepared by Crowe Horwath (HK) CPA Limited and Wellink CPA Limited, Certified Public Accountants, Hong Kong, the joint reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "FINANCIAL INFORMATION" in this prospectus and the accountants' report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets attributable to equity owners of the Company was prepared in accordance with Rule 4.29 of the Listing Rules and is for illustration purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets attributable to equity owners of the Company following the Global Offering. The following unaudited pro forma adjusted combined net tangible assets attributable to equity owners of the Company is set out below to illustrate the effect of the Global Offering on the combined net tangible assets attributable to equity owners of the Company derived from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, assuming that the Global Offering was completed on 31 March 2016 and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets attributable to equity owners of the Company does not form part of the Accountants' Report.

	Combined net tangible assets attributable to equity owners of the Company as of 31 March 2016 <u>HK\$'000</u> (Note 1)	Estimated net proceeds from the Global Offering <u>HK\$'000</u> (Note 2)	Unaudited pro forma adjusted combined net tangible assets attributable to equity owners of the Company <u>HK\$'000</u>	Unaudited pro forma adjusted combined net tangible assets attributable to equity owners of the Company per Share <u>HK\$</u> (Note 3)
Based on an Offer Price of HK\$0.8 per Share	61,955	131,640	193,595	0.26
Based on an Offer Price of HK\$1.20 per Share	61,955	193,140	255,095	0.34

Notes:

- (1) The combined net tangible assets attributable to equity owners of the Company as of 31 March 2016 is based on combined net assets attributable to equity owners of the Company of approximately HK\$61,955,000 as of 31 March 2016, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Shares and the estimated Offer Prices of HK\$0.8 and HK\$1.20, respectively, being the lower end and higher end of the Offer Price range, after deduction of the underwriting fees and other related expenses payable by the Company without taking into account any Shares that may be issued upon exercise of Over-Allotment Option.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after adjustment for the estimated net proceeds from the Global Offering payable to the Company as described in note (2) above and on the basis that a total of 750,000,000 Shares were in issue assuming that the Global Offering was completed on 31 March 2016 (including Shares in issue as of the date of this prospectus)

and those Shares to be issued pursuant to the Global Offering and the Capitalization Issue) without taking into account any Shares which may be offered for sale upon exercise of the Over-Allotment Option.

- (4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2016. In addition, the unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company does not take into account the interim dividend of HK\$7,100,000 declared and paid on 23 June 2016. Had such dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets would be approximately HK\$186,495,000 (assuming an offer price of HK\$0.8 per share) and approximately HK\$247,995,000 (assuming an offer price of HK\$1.20 per share) respectively, while the unaudited pro forma adjusted combined net tangible assets per share would be HK\$0.25 (assuming an offer price of HK\$0.8 per share) and HK\$0.33 (assuming an offer price of HK\$1.20 per share) respectively.

B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the joint reporting accountants, Crowe Horwath (HK) CPA Limited and Wellink CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of inclusion in this prospectus.



國富浩華 (香港) 會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

Wellink CPA Limited

Rms. 803-4, Kin Wing Commercial Building
24-30 Kin Wing Street, Tuen Mun, Hong Kong

28 July 2016

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**TO THE DIRECTORS OF AUSUPREME INTERNATIONAL HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Ausupreme International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as of 31 March 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to this prospectus dated 28 July 2016 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in pages II-1 to II-2 of Appendix II to this Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary Shares of the Company (the "Global Offering") on the Group's financial position as of 31 March 2016 as if the Global Offering had taken place as of 31 March 2016. As part of this process, information about the Group's financial position as of 31 March 2016 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to this Prospectus.

DIRECTORS' RESPONSIBILITIES FOR THE PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in 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 events or transactions as of 31 March 2016 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in this Prospectus.

OPINION

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Crowe Horwath (HK) CPA Limited

Certified Public Accountants

Hong Kong

Yau Hok Hung

Practising Certificate Number P04911

Wellink CPA Limited

Certified Public Accountants

Hong Kong

Ngan Hing Hon

Practising Certificate Number P05294

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 April 2015 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 20 July 2016 and effective from the Listing Date. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the 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.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) 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 Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may

still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resigns;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the 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.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the 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.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the 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.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under 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.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the 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.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up 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.

(j) 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 17 April 2015 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.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under 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:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the 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.

(e) 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.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 5 May 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names

and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the 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.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act

required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "B. Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 17 April 2015. We have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 12 June 2015 and our principal place of business in Hong Kong is at Office E, 28/F, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong. Mr. Choy and Ms. Tang Wing Shan (our Company Secretary and Financial Controller) have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles of Association is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

Immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised, the authorised share capital of our Company will be HK\$20,000,000 divided into 2,000,000,000 Shares, of which 750,000,000 Shares will be issued fully paid or credited as fully paid, and 1,250,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “A. Further information about our Company — 3. Written resolutions of our sole Shareholder” below, the Share Option Scheme and the Over-allotment Option, we do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholder

By written resolutions of our sole Shareholder passed on 20 July 2016:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional of 1,962,000,000 Shares of HK\$0.01 each, each ranking pari passu with the Shares then in issue in all respects (the “Increase in Authorised Share Capital”);

- (c) conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and the Over-allotment Option, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
- (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option, in each case to rank *pari passu* with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) following the Increase in Authorised Share Capital and conditional further on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise an amount of HK\$5,624,900 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 562,490,000 Shares for allotment and issue to the persons whose names appear on the principal register of members of our Company in the Cayman Islands at the close of business on 20 July 2016 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions;
- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares in accordance with the Memorandum and Articles or pursuant to a specific authority granted by our Shareholders or pursuant to the Global Offering, Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to 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 by the Memorandum and Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held;

- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to 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 by the Memorandum and Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held;
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our shareholders in general meeting;
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate reorganization

For details of the Reorganisation, please refer to the section headed “History, Reorganisation Structure — Reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries

Save as disclosed in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 20 July 2016, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange, or any other stock exchange on which our Shares may be listed and recognised by the SFC in Hong Kong and the Stock Exchange for this purpose, Shares representing up to 10% of the total nominal amount of our Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by law or the Articles to be held, or when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of our subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market (the “Repurchase Mandate”). Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 750,000,000 Shares in issue after completion of the Global Offering and the Capitalisation Issue, could accordingly result in up to 75,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder’s proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the “Takeovers Code”). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders’ interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:








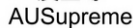



- (a) Instrument of transfer dated 29 June 2016 between Mr. Choy and Patience, pursuant to which Patience acquired 5,000 ordinary shares (or 50%) of Truth & Faith (Hong Kong) from Mr. Choy in consideration of Patience allotting and issuing 500 new shares to Beatitudes (as directed by Mr. Choy), all credited as fully paid;
- (b) Instrument of transfer dated 29 June 2016 between Mrs. Choy and Patience, pursuant to which Patience acquired 5,000 ordinary shares (or 50%) of Truth & Faith (Hong Kong) from Mrs. Choy in consideration of Patience allotting and issuing 500 new shares to Beatitudes (as directed by Mrs. Choy), all credited as fully paid;
- (c) Instrument of transfer dated 29 June 2016 between Mr. Choy and Goodness, pursuant to which Goodness acquired one ordinary share (or 50%) of Miracle Natural from Mr. Choy in consideration of Goodness allotting and issuing 500 new shares to Beatitudes (as directed by Mr. Choy), all credited as fully paid;
- (d) Instrument of transfer dated 29 June 2016 between Mrs. Choy and Goodness, pursuant to which Goodness acquired one ordinary share (or 50%) of Miracle Natural from Mrs. Choy in consideration of Goodness allotting and issuing 500 new shares to Beatitudes (as directed by Mrs. Choy), all credited as fully paid;
- (e) Instrument of transfer dated 29 June 2016 between Mr. Choy and Faithfulness, pursuant to which Faithfulness acquired one ordinary share (or 50%) of Ausupreme from Mr. Choy in consideration of Faithfulness allotting and issuing 500 new shares to Beatitudes (as directed by Mr. Choy), all credited as fully paid;
- (f) Instrument of transfer dated 29 June 2016 between Mrs. Choy and Faithfulness, pursuant to which Faithfulness acquired one ordinary share (or 50%) of Ausupreme from Mrs. Choy in consideration of Faithfulness allotting and issuing 500 new shares to Beatitudes (as directed by Mrs. Choy), all credited as fully paid;
- (g) Instrument of transfer dated 29 June 2016 between Mr. Choy and Gentleness, pursuant to which Gentleness acquired one share quota (MOP25,000 or 50%) of Truth & Faith (Macau) from Mr. Choy in consideration of Gentleness allotting and issuing 500 new shares to Beatitudes (as directed by Mr. Choy), all credited as fully paid;
- (h) Instrument of transfer dated 29 June 2016 between Mrs. Choy and Gentleness, pursuant to which Gentleness acquired one share quota (MOP25,000 or 50%) of Truth & Faith (Macau) from Mrs. Choy in consideration of Gentleness allotting and issuing 500 new shares to Beatitudes (as directed by Mrs. Choy), all credited as fully paid;

- (i) a sale and purchase agreement dated 30 June 2016 between Beatitudes as vendor and the Company as purchaser (among Mr. Choy and Mrs. Choy), pursuant to which the Company acquired (i) the entire issued share capital of Patience in consideration of 5,082 Shares to be allotted and issued to Beatitudes, credited as fully paid; (ii) the entire issued share capital of Goodness in consideration of 4,101 Shares to be allotted and issued to Beatitudes, credited as fully paid; (iii) the entire issued share capital of Faithfulness in consideration of 1 Share to be allotted and issued to Beatitudes, credited as fully paid; and (iv) the entire issued share capital of Gentleness in consideration of 815 Shares to be allotted and issued to Beatitudes, credited as fully paid;
- (j) the Deed of Indemnity;
- (k) the Deed of Non-competition; and
- (l) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

Trademark

As at the Latest Practicable Date, our Group was the registered owner of the following trademarks:

Trademark	Place of Registration	Registration Number	Class	Expiry Date	Registered Owner
	Hong Kong	301836964	5, 30, 35	17 February 2021	Ausupreme
	Hong Kong	300125117	3, 5	9 December 2023	Ausupreme
	PRC	6504223, 6504224	5, 30	27 March 2020	Ausupreme
	Macau	N/075294, N/075295	5, 30	14 January 2021	Ausupreme
	Singapore	T1307330H	5, 30	8 May 2023	
	PRC	12477459	30	13 January 2026	Ausupreme
	PRC	12477460	5	20 July 2025	Ausupreme
A 	Hong Kong	303437983	3, 5, 29, 30, 32, 35	10 June 2025	Ausupreme
B 					
	Hong Kong	302809800	3, 5, 30, 35	19 November 2023	Ausupreme
	Hong Kong	303297240	29, 32	8 February 2025	Ausupreme
	Taiwan	01691483	5, 30	31 January 2025	Ausupreme
	Australia	1613140	5, 30	24 March 2024	Ausupreme
	Japan	5795935	5, 30, 35	2 October 2025	Ausupreme
	New Zealand	1018824	5, 30, 35	4 May 2025	Ausupreme
	Macau	N100612	5	27 November 2022	Ausupreme
		N100613	30	27 November 2022	Ausupreme
		N100614	35	27 November 2022	Ausupreme
	Australia	1695297	5, 30, 35	21 May 2025	Ausupreme
	Singapore	40201506993V	5, 30, 35	28 April 2025	Ausupreme
	Malaysia	2015056617	05	29 April 2025	Ausupreme
		2015056619	30	29 April 2025	Ausupreme
		2015056623	35	29 April 2025	Ausupreme
	Taiwan	01751952	5, 30, 35	15 January 2026	Ausupreme
	South Korea	45-64035	5, 30, 35	5 April 2026	Ausupreme
	Macau	N/075296	35	14 January 2021	Ausupreme
	Australia	1558474	35	22 May 2023	Ausupreme
	Singapore	T1307332D	35	8 May 2023	Ausupreme
	Taiwan	01632926	35	15 March 2024	Ausupreme
	Hong Kong	300246889	3, 5	8 July 2024	Ausupreme
	PRC	4153452	30	27 December 2016	Truth & Faith (Hong Kong)
	PRC	4153453	5	27 June 2017	Truth & Faith (Hong Kong)
	Hong Kong	301836973	35	17 February 2021	Ausupreme

<u>Trademark</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Class</u>	<u>Expiry Date</u>	<u>Registered Owner</u>
婦麗寶 Super Women's Care	Hong Kong	303347190	5	25 March 2025	Ausupreme
剛勁寶 Essence of Energy	Hong Kong	303347208	5	25 March 2025	Ausupreme
纖美寶 Weight Management	Hong Kong	303347226	5	25 March 2025	Ausupreme
Organiculture	Hong Kong	303437956	35	10 June 2025	Ausupreme
Organiculture	Hong Kong	303437965	3	10 June 2025	Ausupreme

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:

<u>Trademark</u>	<u>Class</u>	<u>Application Number</u>	<u>Application Date</u>	<u>Place of Application</u>	<u>Applicant</u>
AUSupreme	3, 5, 29, 30, 32, 35	303330855	16 March 2015	Hong Kong	Ausupreme
澳至尊	5, 35	1725853	28 April 2015	Canada	Ausupreme
AUSupreme	5, 30, 35	86630126	14 May 2015	USA	Ausupreme
	35	18498263	3 December 2015	PRC	Ausupreme
	30	18498264	3 December 2015	PRC	Ausupreme
	5	18498265	3 December 2015	PRC	Ausupreme
鈣健寶 Calcium Formula	5	303347217	26 March 2015	Hong Kong	Ausupreme
A 澳至尊 AUSupreme	3, 5, 29, 30, 32, 35	303792835	31 May 2016	Hong Kong	Ausupreme
B 澳至尊 AUSupreme					

Class	Specifications of goods/services
3	Bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices.
5	Pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; dietetic food and substances adapted for medical or veterinary use, food for babies; dietary supplements for humans and animals; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.
29	Meat, fish, poultry and game; meat extracts; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs; milk and milk products; edible oils and fats.
30	Coffee, tea, cocoa and artificial coffee; rice; tapioca and sago; flour and preparations made from cereals; bread, pastry and confectionery; edible ices; sugar, honey, treacle; yeast, baking-powder; salt; mustard; vinegar, sauces (condiments); spices; ice.
32	Beers; mineral and aerated waters and other non-alcoholic beverages; fruit beverages and fruit juices; syrups and other preparations for making beverages.
35	Advertising; business management; business administration; office functions.

Domain name

As at the Latest Practicable Date, our Group has registered the following domain names:

<u>Domain Name</u>	<u>Registration Date</u>	<u>Expiry Date</u>
www.truthandfaith.com.cn	2 June 2012	28 June 2024
www.truthandfaith.hk	4 May 2012	4 May 2024
www.truthandfaith.com.hk	4 May 2012	4 May 2024
www.organicnature.com.hk	4 May 2012	4 May 2024
www.organicnature.hk	4 May 2012	4 May 2025
www.truthandfaith.cn	4 May 2012	4 May 2024
www.organicnature.com.cn	4 May 2012	4 May 2024
www.organicnature.cn	4 May 2012	4 May 2024
www.prof.com.hk	31 August 2004	2 September 2017
www.organicnature.com.tw	13 November 2014	13 November 2020
www.organicnature.tw	13 November 2014	13 November 2020
www.truthandfaith.com.tw	13 November 2014	13 November 2020
www.truthandfaith.tw	13 November 2014	13 November 2020
www.ausupreme.com	25 March 2015	25 March 2019

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

- (a) Immediately following the completion of the Global Offering and the Capitalisation Issue but taking no account of our Shares to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) *Long position in our Shares*

<u>Name of Director</u>	<u>Nature of Interest</u>	<u>No. of Shares held</u>	<u>Approximate percentage of shareholding</u>
Mr. Choy	Interest in controlled corporation (<i>Note</i>)	562,500,000	75%
Mrs. Choy	Interest in controlled corporation (<i>Note</i>)	562,500,000	75%

Note:

Each of Mr. Choy and Mrs. Choy owns 50% of the issued share capital of Beatitudes, respectively. Immediately following completion of the Global Offering and the Capitalisation Issue but taking no account of the Shares to be issued pursuant to options which may be granted under the Share Option Scheme, Beatitudes will be the beneficial owner holding 75% shareholding interest in our Company and thus each of Mr. Choy and Mrs. Choy will be deemed or taken to be interested in all the Shares which are to be beneficially owned by Beatitudes for the purpose of the SFO.

- (ii) *Long position in the ordinary shares in Beatitudes, the associated corporation of our Company*

<u>Name of Director</u>	<u>Capacity/Nature</u>	<u>Percentage of shareholding of Beatitude</u>
Mr. Choy	Beneficial Owner	50%
Mrs. Choy	Beneficial Owner	50%

- (b) So far as is known to our Directors and taking no account of any Shares which may be taken up under the Global Offering and Shares to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option, the following persons (not being a Director or chief executive of our Company as disclosed in paragraph (a) above) will, immediately following the completion of the Global Offering and the Capitalisation Issue have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in our Shares

<u>Name</u>	<u>Nature of Interest</u>	<u>No. of Shares held</u>	<u>Percentage of shareholding</u>
Beatitudes	Beneficial owner (Note)	562,500,000	75%

Note: Beatitudes is a company incorporated in the BVI. Immediately following completion of the Global Offering and the Capitalisation Issue but taking no account of the Shares to be issued pursuant to options which may be granted under the Share Option Scheme, Beatitudes will own 75% shareholding interest in the Company. Beatitudes is owned as to 50% by each of Mr. Choy and Mrs. Choy.

2. Particulars of service agreements

Each of our executive Directors has entered into a service contract with our Company. The terms and conditions of each of such service contracts are similar in all material respects. The service contracts are initially for a fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months written notice to the other party. Each of our executive Directors is entitled to the respective basic salary set out below. An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of the Directors regarding the amount of the monthly salary and the discretionary bonus payable to him. The current basic annual salaries of the executive Directors are as follows:

Name	Amount (HK\$)
Mr. Choy	300,000
Mrs. Choy	300,000
Mr. Ho Chun Kit, Saxony	862,000
Mr. Au Chun Kit	689,000

Each of the independent non-executive Directors has entered into a service contract with our Company. The terms and conditions of each of such service contracts are similar in all material respects. Each of them is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant service contracts. The annual remunerations payable under each of the service contracts are as follows:

Name	Amount (HK\$)
Dr. Luk Ting Kwong	180,000
Mr. Ko Ming Kin	180,000
Mr. Wan Cho Yee	180,000

Save as disclosed above, no Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the three years ended 31 March 2014, 2015 and 2016 were approximately HK\$2,104,000, HK\$1,433,000 and HK\$1,599,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2017 will be approximately HK\$2,422,000.

4. Fees or commission received

Save as disclosed in the section headed “Underwriting — Commission and expenses” in this prospectus, none of our Directors or the experts named in the paragraph headed “E. Other Information — 7. Consent of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 23 to the accountant’s report set out in Appendix I to this prospectus.

6. Disclaimers

- (a) save as disclosed in the paragraph headed “C. Further Information about Substantial Shareholders, Directors and Experts — 2. Particulars of service agreements” in this Appendix, there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “E. Other Information — 7. Consents of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “E. Other Information — 7. Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) save as disclosed in the section headed “Substantial Shareholders” in this prospectus and the paragraph headed “C. Further Information about Substantial Shareholders, Directors and Experts — 1. Disclosure of interests” in this Appendix and taking no account of Shares which may be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering and the Capitalisation Issue, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) save as disclosed in the paragraph headed “C. Further Information about Substantial Shareholders, Directors and Experts — 1. Disclosure of interests” in this Appendix, none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests

and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange; and

- (f) none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the major suppliers of our Group.

D. SHARE OPTION SCHEME

(a) Definitions

“Adoption Date”	20 July 2016 (the date on which the Share Option Scheme is conditionally adopted by the sole Shareholder by way of written resolution);
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

(b) Summary of terms

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, invite any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the option, which must be

a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than 5 business days, the new issue price shall be used as the closing price for any business day fall within the period before listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(v) Maximum number of Shares

- (aa) subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 75,000,000 Shares to the participants under the Share Option Scheme.
- (bb) the 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.
- (cc) our Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, and such other information required under the Listing Rules.
- (dd) the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed

30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in such 30% limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) *Grant of options to certain connected persons*

- (aa) Any grant of an option to a Director, chief executive or Substantial Shareholder of our Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the time of grant of options

No option shall be granted after inside information has come to the knowledge of our Company until our Company has announced the information. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules).

The Board may not make any offer to an Eligible Participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, the supplemental guideline of 5 September 2005 issued by the Stock Exchange and, any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a Capitalisation Issue), provided that any alteration shall give a grantee the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 1 month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than 2 business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than 2 business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement ("Suspension Date"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavor to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable

(but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;
- (dd) in the event that the grantee is an employee of our Group when an offer is made to him/her and he/she subsequently ceases to be an employee of our Group on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, the date of cessation of his/her employment with our Group. A resolution of the Board or the board of directors of the relevant member of our Group to the effect that employment of a grantee has or has not been terminated on one or more of the grounds specified in this clause shall be conclusive and binding on the grantee;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the definition of "Participant" and "Grantee" and "Option Period" and the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the sanction of the Shareholders in general meeting.
- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(xxiv) Termination to the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares may be issued due to the exercise of any options which may be granted under the Share Option Scheme and commencement of dealings in the Shares on the Stock Exchange.

(c) Present status of the Share Option Scheme

The Share Option Scheme complies with Chapter 17 of the Listing Rules. Application has been made to the Stock Exchange for listing of and permission to deal in 75,000,000 Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

The Controlling Shareholders (the “Indemnifiers”) have, under the Deed of Indemnity referred to in the paragraph headed “B. Further Information about Our Business — 1. Summary of material contracts” in this Appendix, given joint and several indemnities to our Company for itself and as trustee for our subsidiaries in connection with, among other things, (a) any tax liability which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which the Global Offering becomes unconditional; or (ii) in respect of or in consequence of any acts, omissions, matters, things, events or transactions entered into or occur on or before the date on which the Global Offering becomes unconditional; and (b) any depletion in or reduction in value of assets, increase in liabilities, losses, claims, actions, proceedings, demands, orders, notices, liabilities, damages, costs, expenses, interest, fines, penalties, payment and of whatever nature suffered or incurred by any member of our Group in relation to events occurred on or before the date on which the Global Offering becomes unconditional.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:

- specific provision or reserve or allowance has been made for such taxation or taxation claim liability in the audited accounts of our Company for the Track Record Period; or
- the taxation liability or taxation claim arises in the ordinary course of business or is increased as a result only of a retrospective change in law rules and regulations or the interpretation or practice thereof by tax authorities or a retrospective increase in tax rates coming into force after the date on which the Global Offering becomes unconditional; or
- the taxation liability arises in the ordinary course of business of our Group after 31 March 2016 up to and including the date on which the Global Offering becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in this prospectus, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sponsor has, on behalf of our Company, made an application to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and our Shares falling to be issued pursuant to the exercise of any options granted under the Share Option Scheme and the exercise of the Over-allotment Option.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

The fee payable by our Company to the Sponsor in respect of the service of Ample Capital Limited as the sponsor for the Listing is HK\$4.7 million.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$38,300 and are payable by our Company.

5. Promoter

There is no promoter of our Company.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Ample Capital Limited	A licensed corporation under the SFO to engage in Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities as defined under the SFO
Wellink CPA Limited	Certified Public Accountants
Crowe Horwath (HK) CPA Limited	Certified Public Accountants
Euromonitor International Ltd.	Industry consultant
Appleby	Legal adviser to our Company as to Cayman Islands law
Jingtian & Gongcheng	Legal adviser to our Company as to PRC law
Jackson Poon	Barrister-at-law in Hong Kong
Dixon Co.	Barrister-at-law in Hong Kong
Asset Appraisal Limited	Property Valuer

7. Consents of experts

Each of the above named experts has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

9. Taxation of holders of Shares*(a) Hong Kong*

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

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. No material adverse change

Save as disclosed in this prospectus, our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 31 March 2016 (being the date to which the latest audited combined financial statements of our Group were made up) and up to the Latest Practicable Date.

11. Miscellaneous*(a) Within the two years immediately preceding the date of this prospectus:*

- (i) save as disclosed in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus and save for the Over-allotment Option, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;*
- (ii) save as disclosed in the section "Underwriting — Commission and expenses" in this prospectus, no discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and*

- (iii) save as disclosed in the paragraph headed “D. Share Option Scheme” of this Appendix and save for the Over-allotment Option, 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.
- (b) Neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “E. Other Information — 7. Consents of experts” in this Appendix:
 - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) We have no outstanding convertible debt securities.
- (h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with our English name does not contravene Cayman Islands law.
- (i) The English text of this prospectus shall prevail over the Chinese text.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. 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 **WHITE**, **YELLOW** and **GREEN** and **PINK** Application Forms, the written consents referred to under the paragraph headed “E. Other Information — 7. Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to under the paragraph headed “B. Further Information about Our Business — 1. Summary of material contracts” in Appendix IV to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Christine M. Koo & Ip, Solicitors & Notaries *LLP* of Room 601, 6/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report jointly prepared by Wellink CPA Limited and Crowe Horwath (HK) CPA Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the report on unaudited pro forma financial information of our Group jointly issued by Wellink CPA Limited and Crowe Horwath (HK) CPA Limited, the text of which is set out in Appendix II to this prospectus;
- (d) the industry overview report issued by Euromonitor International Ltd. referred to in the section headed “Industry Overview” in this prospectus;
- (e) the legal opinion prepared by Jackson Poon, barrister-at-law in Hong Kong in respect of certain aspects of Hong Kong laws relating to the operation of our Group;
- (f) the legal opinion prepared by Dixon Co, barrister-at-law in Hong Kong in respect of Hong Kong tax laws relating to tax matters of our Group;
- (g) the letter prepared by Appleby summarising certain aspects of Cayman Islands Companies Law referred to in Appendix III to this prospectus;
- (h) the legal opinion prepared by Jingtian & Gongcheng, the legal adviser of our Company in respect of PRC laws relating to the operation of our Group;
- (i) the Companies Law;
- (j) the service agreements referred to in the paragraph headed “C. Further Information about Substantial Shareholders, Directors and Experts — 2. Particulars of service agreements” in Appendix IV to this prospectus;

- (k) the material contracts referred to in the paragraph headed “B. Further Information about our Business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (l) the written consents referred to in the paragraph headed “E. Other Information — 7. Consents of experts” in Appendix IV to this prospectus; and
- (m) the rules of the Share Option Scheme.

澳至尊

AUSUPREME

Ausupreme International Holdings Limited
澳至尊國際控股有限公司