



B & S International Holdings Ltd.

賓仕國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 1705

SHARE OFFER

Sole Sponsor



**Lego Corporate
Finance Limited**

力高企業融資有限公司

*Sole Global Coordinator and
Joint Bookrunner*



Lego Securities Limited

力高證券有限公司

*Joint Bookrunner and
Joint Lead Manager*

SUNWAH KINGSWAY
新華滙富

Joint Lead Managers



中國銀河國際
CHINA GALAXY INTERNATIONAL



億聲證券有限公司
Brilliant Norton
Securities Company Limited

IMPORTANT

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



B & S INTERNATIONAL HOLDINGS LTD. 寶仕國際控股有限公司 (incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 100,000,000 Shares
Number of Public Offer Shares	: 10,000,000 Shares (subject to re-allocation)
Number of Placing Shares	: 90,000,000 Shares (subject to re-allocation)
Maximum Offer Price	: HK\$1.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and the 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	: 1705

Sole Sponsor



Sole Global Coordinator and Joint Bookrunner



Joint Bookrunner and Joint Lead Manager



Joint Lead Managers



Co-Managers



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

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 or around Tuesday, 6 March 2018, and in any event no later than Tuesday, 13 March 2018. If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Tuesday, 13 March 2018, the Share Offer will not become unconditional and will lapse immediately. The Offer Price will be not more than HK\$1.00 per Offer Share and is currently 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 Public Offer. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction in the number of Offer Shares being offered under the Share Offer and/or of the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.bandshk.com not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares".

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

Pursuant to the termination provisions contained in the Public Offer Underwriting Agreement in respect of the Public Offer Shares, the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) shall have the right in certain circumstances, in its sole and absolute discretion, to terminate the Public Offer Underwriting Agreement by notice in writing to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Wednesday, 14 March 2018). Further details of the terms of the termination provisions are set out in "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination". It is important that you refer to that section for further details.

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

No information on any website forms part of this prospectus.

26 February 2018

EXPECTED TIMETABLE⁽¹⁾

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

	Date and time ⁽¹⁾
Application Lists open ⁽²⁾	11:45 a.m. on Tuesday, 6 March 2018
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ⁽³⁾	12:00 noon on Tuesday, 6 March 2018
Application Lists close ⁽²⁾	12:00 noon on Tuesday, 6 March 2018
Expected Price Determination Date ⁽⁴⁾	Tuesday, 6 March 2018
Announcement of the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares under the Public Offer to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.bandshk.com on or before	Tuesday, 13 March 2018
Announcement of results of allocation and Hong Kong Identity Card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer to be available under a variety of channels as described in "How to Apply for Public Offer Shares — 10. Publication of results" in this prospectus including the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.bandshk.com from	Tuesday, 13 March 2018
Results of allocations in the Public Offer to be available at www.unioniporesults.com.hk with a "search by ID" function from	Tuesday, 13 March 2018
Despatch/collection of share certificates or deposit of share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before ^(5, 6 and 8)	Tuesday, 13 March 2018

EXPECTED TIMETABLE⁽¹⁾

Date and time⁽¹⁾

Despatch/collection of refund cheques in respect of wholly or partially successful applications in the event that the final Offer Price is less than the maximum Offer Price payable on application (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before^(6 to 8) Tuesday, 13 March 2018

Dealing in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Wednesday, 14 March 2018

The application for the Offer Shares will commence on Monday, 26 February 2018 through Tuesday, 6 March 2018, being longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, 13 March 2018. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Wednesday, 14 March 2018.

Notes:

1. All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in “Structure and Conditions of the Share Offer”.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 6 March 2018, the Application Lists will not open and close on that day. Further information is set out in “How to Apply for Public Offer Shares — 9. Effect of bad weather on the opening of the Application Lists”.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to “How to Apply for Public Offer Shares — 5. Applying by giving **electronic application instructions** to HKSCC via CCASS”.
4. The Price Determination Date is expected to be on or around Tuesday, 6 March 2018, and in any event no later than Tuesday, 13 March 2018. If, for any reason, the Offer Price is not agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) by Tuesday, 13 March 2018, the Share Offer (including the Public Offer) will not proceed and will lapse.
5. Share certificates will only become valid certificates of title provided that, no later than 8:00 a.m. on the Listing Date, the Share Offer has become unconditional and none of the Underwriting Agreements has been terminated in accordance with their respective terms.
6. Applicants who apply on **WHITE** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer and have provided all required information may collect refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 13 March 2018 or such other date as announced by us. Applicants being individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Applicants being corporations which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Identification and (where applicable) authorisation documents acceptable to the Hong Kong Branch Share Registrar must be produced at the time of collection.

EXPECTED TIMETABLE⁽¹⁾

7. Applicants who apply on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer and have provided all required information may collect their refund cheques (if any) in person but may not elect to collect their share certificates personally, which will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to their designated CCASS Participant stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Public Offer Shares are the same as those for applicants who apply on **WHITE** Application Forms.
8. Uncollected share certificates and refund cheques (if any) will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in "How to Apply for Public Offer Shares — 12. Refund of application monies and 13. Despatch/Collection of share certificates and refund monies" in this prospectus.

Particulars of the structure of the Share Offer, including the conditions thereto, are set out in "Structure and Conditions of the Share Offer".

CONTENTS

This prospectus is issued by our Company solely in connection with the Public Offer and the Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Public Offer Shares offered by this prospectus pursuant to the Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to buy any securities in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for the purposes of a public offering 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 to make your investment decision. We have not authorised anyone to provide you with different information. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective Directors or any other person or party involved in the Share Offer.

	<i>Page</i>
EXPECTED TIMETABLE	i
CONTENTS	iv
SUMMARY	1
DEFINITIONS	17
GLOSSARY OF TECHNICAL TERMS	27
FORWARD-LOOKING STATEMENTS	28
RISK FACTORS	30
WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES	53
INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER	54
DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER	58
CORPORATE INFORMATION	62
INDUSTRY OVERVIEW	64
THE LAWS AND REGULATIONS RELATING TO THE INDUSTRY	77

CONTENTS

	<i>Page</i>
HISTORY, REORGANISATION AND CORPORATE STRUCTURE	85
BUSINESS	100
RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS	171
CONNECTED TRANSACTIONS	184
DIRECTORS AND SENIOR MANAGEMENT	195
SHARE CAPITAL	204
SUBSTANTIAL SHAREHOLDERS	207
FINANCIAL INFORMATION	209
FUTURE PLANS AND USE OF PROCEEDS	253
UNDERWRITING	258
STRUCTURE AND CONDITIONS OF THE SHARE OFFER	268
HOW TO APPLY FOR PUBLIC OFFER SHARES	274
APPENDIX I — ACCOUNTANT’S REPORT	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III — SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety including the appendices hereto before you decide to invest in our Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set out in “Risk Factors”. You should read that section carefully before you decide whether to invest in our Offer Shares.

OVERVIEW

With over 27 years of operating history in Hong Kong, we are a well-established food and beverage company. We have two business segments, namely the Distribution Business and the Retail Business.

The following table sets out the respective components of our revenue derived from our Distribution Business and Retail Business during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Distribution Business	241,941	85.6%	220,606	73.6%	243,075	66.1%	92,753	65.7%	96,287	56.7%
Retail Business	40,617	14.4%	79,164	26.4%	124,903	33.9%	48,461	34.3%	73,432	43.3%
Total	282,558	100.0%	299,770	100.0%	367,978	100.0%	141,214	100.0%	169,719	100.0%

The table below shows a breakdown of our gross profit and gross profit margin by business segment during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
Distribution Business	62,075	25.7%	67,788	30.7%	69,235	28.5%	25,586	27.6%	27,417	28.5%
Retail Business	3,817	9.4%	10,004	12.6%	21,943	17.6%	9,005	18.6%	15,082	20.5%
Total/Overall	65,892	23.3%	77,792	26.0%	91,178	24.8%	34,591	24.5%	42,499	25.0%

SUMMARY

Distribution Business

We distribute and market a diversified portfolio of overseas branded food and beverage products through our supply chain solutions to overseas brand owners and local retailers. Our top products include “UHA (味覺糖)” UHA 味覺糖 candies sourced directly from the brand owner in Japan and distributed to mainly retailers in Hong Kong.

Retail Business

We are licenced to set up and self-operate retail outlets of a few overseas food and beverage brands in Hong Kong, including our top retail brand “TenRen (天仁茗茶)” 天仁茗茶, which ranked first in the tea drinks chain market in Hong Kong by revenue for the period from 1 November 2016 to 31 October 2017, with a market share of approximately 24.3%, according to the Industry Report.

OUR BUSINESS MODEL

Distribution Business

We source food and beverage products from either overseas brand owners or their distributors. Our food and beverage products include sweets and candies, biscuits, cakes and pastries, instant drink powders, dried meat products, tea leaves, pasta, fresh eggs and condiments, etc., which are sourced from Japan, Taiwan, Malaysia, Argentina, the PRC, Turkey and the United Kingdom, etc. During the Track Record Period, we offered approximately 7,000 SKUs of food and beverage products from over 100 brands. Our products are distributed and marketed to a wide array of customers, including supermarkets, pharmacies, convenience stores, department stores, bakeries, confectionery stores, and trading companies, etc.

Supply chain solutions

To attract more and to reinforce relationships with the overseas brand owners and local retailers, we also provide supply chain solutions to them in our distribution process and procedures detailed below. Our solutions generally include (i) arranging inbound logistics; (ii) relabelling the products in compliance with the relevant Hong Kong food safety and labelling laws; (iii) repackaging the products to suit the needs of the retailers or the consumers; and (iv) formulating marketing and sales strategies.

SUMMARY

Distribution processes and procedures




The typical distribution process and procedures of our supply chain solutions detailed above involve:

- (a) we conduct pre-launch marketing activities to ensure a product will be widely distributed to and well-received by Hong Kong consumers prior to the formal launch of the product into the Hong Kong market;
- (b) we ensure that the products from our suppliers are in compliance with Hong Kong laws by checking the ingredients components against the local requirements, and by placing food labels with appropriate ingredients lists, expiry dates and food nutrition facts;
- (c) to cater for different needs of our customers, we repack certain products procured from our suppliers into smaller packs;
- (d) we keep track of our customers' orders and maintain a sufficient level of inventory in order to ensure that there are sufficient stock available for delivery to our customers on a timely basis; and
- (e) services are provided to both our suppliers and customers by keeping track and reporting the sales of our products to consumers and formulating additional marketing activities to boost sales.

SUMMARY

Top brands

The following table provides selected information about our top three brands in terms of the total purchase of our Distribution Business during the Track Record Period:




Rank	Brands	Product Category	Period	For the year ended 31 March				For the five months ended 31 August										
				2015		2016		2017		2016		2017						
				Purchase volume (thousand units)	Total purchases HK\$'000	% of total purchase	Purchase volume (thousand units)	Total purchases HK\$'000	% of total purchase	Purchase volume (thousand units)	Total purchases HK\$'000	% of total purchase	Purchase volume (thousand units)	Total purchases HK\$'000	% of total purchase			
1	“UHA (味覺糖)” 	Candy and confectionery products	315	8,950	38,272	20.7%	8,407	35,163	20.7%	12,381	57,726	28.6%	5,937	25,074	31.8%	5,497	24,809	27.9%
2	“Hsin Tung Yang (新東陽)” 	Pork floss, pork jerky, pineapple pastries and Taiwanese vermicelli	203	891	10,966	5.9%	512	6,825	4.0%	517	8,316	4.1%	236	3,558	4.5%	234	3,341	3.8%
3	“Chek Hup (澤合)” 	Instant coffee and other instant drink powders	43	642	10,299	5.6%	423	8,425	5.0%	409	8,130	4.1%	201	3,841	4.9%	156	2,683	3.0%

SUMMARY

Retail Business




We principally prepare and/or sell overseas branded food and beverage products licensed to us at our self-operated retail outlets in Hong Kong. As at the Latest Practicable Date, we had 42 self-operated retail outlets set up by us and we managed one retail outlet pursuant to a management agreement. As at the Latest Practicable Date, we were licenced to set up and operate retail outlets for a few overseas food and beverage brands in Hong Kong.





The following table shows a breakdown of our gross profit and gross profit margin by our retail brands:


	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (Unaudited)	%	HK\$'000	%
“TenRen (天仁茗茶)” 	2,878	7.7%	8,730	12.2%	19,654	17.7%	7,719	18.4%	14,591	21.6%
“Uncle Tetsu (徹思叔叔)”  (Note 1)	N/A	N/A	507	13.6%	2,076	22.2%	993	21.7%	27	0.8%
“Hotel Chocolat”  (Note 2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	40	5.0%
Others (Note 3)	939	29.8%	767	20.4%	213	4.8%	293	14.5%	424	26.5%
Total/overall	<u>3,817</u>	9.4%	<u>10,004</u>	12.6%	<u>21,943</u>	17.6%	<u>9,005</u>	18.6%	<u>15,082</u>	20.5%


Notes:

- We opened our first “Uncle Tetsu (徹思叔叔)”  retail outlet in December 2015.
- We opened our first “Hotel Chocolat”  retail outlet in April 2017.
- Others mainly include a Taiwanese candy brand.



The increase of our gross profit of our Retail Business during the Track Record Period was mainly due to the increase of the gross profit from our “TenRen (天仁茗茶)”  retail outlets driven by the continuous growth in our revenue. The continued increase in the gross profit margin of our Retail Business during the Track Record Period was mainly due to the increase in demand of certain “TenRen (天仁茗茶)”  products during the Track Record Period which had higher sales margins. The relatively low gross profit and gross profit margin for our “Uncle Tetsu (徹思叔叔)”  for the five months ended 31 August 2017 were mainly due to the decrease in revenue generated from such retail outlets due to lack of continuous marketing activities.


Set out below are four of our licenced brands, namely “TenRen (天仁茗茶)” , “Uncle Tetsu (徹思叔叔)”  and “Hotel Chocolat” , which contributed our revenue for the Retail Business during the Track Record Period; and “Jiu Tang Wu (九湯屋)” , a new brand licenced and set up subsequent to the Track Record Period which we intend to expand further:

(a) “TenRen (天仁茗茶)” 

TenRen is a premier Taiwanese tea-based beverage brand founded in Taiwan in 1953 with retail outlets spanning Taiwan, Japan, Singapore, Malaysia, Hong Kong, Canada, Australia and North America. Our licenced “TenRen (天仁茗茶)”  retail outlets


SUMMARY



in Hong Kong were our largest revenue contributors under the Retail Business and constituted approximately 92.2%, 90.6%, 88.9%, 86.4% and 92.0% of our revenue for the Retail Business during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, respectively. As at the Latest Practicable Date, we operated 32 “TenRen (天仁茗茶)”  retail outlets in Hong Kong. We primarily offer Taiwanese tea-based takeaway drinks at our self-operated “TenRen (天仁茗茶)”  retail outlets. We offer drinks of various choices under five series, namely the milk tea series, the classic tea series, the fresh fruit tea series, the icy drink series and the winter decaf series. Side products including tea-flavoured ice-cream, packaged tea leaves, packaged snacks as well as tea wares are also offered at our retail outlets.

The following table sets forth the approximate average selling price and approximate average daily sales volume of our “TenRen (天仁茗茶)”  products for the periods indicated:


	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
Average selling price (HK\$)					
Beverage products					
(per cup)	19.3	20.0	20.3	20.2	20.6
Side products					
(per unit) <i>(Note)</i>	59.8	27.2	25.4	23.8	26.4
Average daily sales volume					
Beverage products					
(in thousand cups)	4.6	8.2	13.2	11.6	19.5
Side products					
(in thousand units) <i>(Note)</i>	0.2	1.1	1.4	1.7	1.5



Note: Side products include tea-favoured ice cream, packaged tea leaves, packaged snacks and tea wares.

The average selling price of our “TenRen (天仁茗茶)”  beverage products increased slightly during the Track Record Period primarily because we raised our prices in light of inflation and rising raw material costs and rental expense. On the other hand, the average selling price of the side products fluctuated during the Track Record Period when the sales of the higher-priced tea ware products also fluctuated. The average daily sales volume of the beverage products increased throughout the Track Record Period mainly due to the increase in the number of our retail outlets.


The gross profit margin of our “TenRen (天仁茗茶)”  retail outlets increased during the Track Record Period primarily because we sold more products of higher sales margins, such as beverage products and tea-flavored ice-cream, which ranged from approximately 75.1% to 78.4% during the Track Record Period, as compared to the lower margin products, such as packaged tea leaves and snacks as well as tea wares with sales margins ranging from approximately 14.8% to 27.0% during the Track Record Period. The gross profit margin of our “TenRen (天仁茗茶)”  retail outlets is calculated as



SUMMARY

retail revenue less cost of sales, including rental and related expenses and staff costs divided by total revenue from “TenRen (天仁茗茶)”  茗茶 retail outlets, which were approximately 7.7%, 12.2%, 17.7%, 18.4% and 21.6% for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, respectively. For further details, please see “Financial Information — Description and analysis of principal items in the combined statements of comprehensive income — Gross profit and gross profit margin”.


During the Track Record Period, we were able to grow the sales within the existing “TenRen (天仁茗茶)”  茗茶 retail outlets. We evaluate our growth within the existing outlets by calculating the average same-store sales growth, which compares average revenue derived from outlets that were in operation throughout the financial periods compared. The table below sets forth our same-store sales performance of our “TenRen (天仁茗茶)”  茗茶 retail outlets during the Track Record Period:

	Year ended 31 March		Year ended 31 March		Five months ended 31 August	
	2015	2016	2016	2017	2016	2017
Number of same-store	10		17		19	
Average same-store sales	HK\$3.7 million	HK\$4.0 million	HK\$4.2 million	HK\$4.6 million	HK\$2.2 million	HK\$2.4 million
Average same-store sales growth rate	5.7%		8.9%		9.4%	

(b) “Uncle Tetsu (徹思叔叔)” 

Uncle Tetsu is a prominent Japanese cheesecake brand founded in Japan in 1985 with retail outlets in over 18 countries worldwide as at 31 October 2017. Our licenced “Uncle Tetsu (徹思叔叔)”  retail outlets in Hong Kong contributed approximately nil, 4.7%, 7.5%, 9.4% and 4.7% of our revenue for the Retail Business for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, respectively. The products offered at our retail outlets include cheesecakes, cheese tarts and panna cotta. As at the Latest Practicable Date, we operated three “Uncle Tetsu (徹思叔叔)”  retail outlets in Hong Kong.

(c) “Hotel Chocolat” 

Hotel Chocolat is a British chocolate brand founded in the United Kingdom in 1993 with over 100 retail outlets in the United Kingdom as at 31 October 2017. Our licenced “Hotel Chocolat”  retail outlets were newly set up and did not contribute significantly during the Track Record Period. We set up three retail outlets during the five months ended 31 August 2017 and up to the Latest Practicable Date. The products offered at the retail outlets include various chocolate products.

SUMMARY

(d) “Jiu Tang Wu (九湯屋)” 

Jiu Tang Wu is a Japanese ramen brand originated in Taiwan in 2014 with their retail outlets in Taiwan, China and Hong Kong as at 31 October 2017. Our first licenced “Jiu Tang Wu (九湯屋)”  retail outlet in Hong Kong was set up in October 2017 after the Track Record Period. The products offered at our retail outlets include Japanese ramen and other side dishes. As at the Latest Practicable Date, we operated two “Jiu Tang Wu (九湯屋)”  retail outlets in Hong Kong.

PRICING POLICY


Our pricing policy for the Distribution Business varies and depends on the type of products and customers. A “cost-plus” pricing policy is generally adopted, pursuant to which we set target prices with different profit margins over the products we distribute. For customers who purchase our products in larger quantity, we may offer more favourable terms to them.

For the Retail Business, the brand owners normally make suggestions on the retail price of the products to be sold in Hong Kong, and we adjust our retail pricing on this basis after considering our operating costs, prevailing market trend, and the market price of similar products offered by our competitors in Hong Kong. We notify the brand owners once the price for the products to be offered at our retail outlets has been determined.

OUR SUPPLIERS

During the Track Record Period and up to the Latest Practicable Date, we sourced food and beverage products from over 130 suppliers, comprising brand owners and their distributors. For the years ended 31 March 2015, 2016 and 2017 and five months ended 31 August 2017, our purchases from our five largest suppliers amounted to approximately HK\$96.9 million, HK\$91.0 million, HK\$120.5 million and HK\$56.5 million, respectively, accounted for approximately 52.5%, 53.5%, 59.8% and 63.5% of our total purchases, respectively. During the same periods, purchases from our largest supplier amounted to approximately HK\$55.8 million, HK\$52.3 million, HK\$75.5 million and HK\$32.5 million, respectively, which accounted for approximately 30.2%, 30.7%, 37.4% and 36.5% of our total purchases, respectively. Up to the Latest Practicable Date, we had established a relationship of over six years with each of our five largest suppliers during the Track Record Period. Please see “Business — Our suppliers” for details.

In 1999, we started to distribute “UHA (味覺糖)”  candy and confectionery products to Hong Kong and on 28 July 2017, we entered into an exclusive distributorship agreement with the brand owner of UHA, our largest supplier for the Track Record Period. The salient terms of the exclusive distributorship agreement are set out in “Business — Distribution Business — Top brands”.

We have also entered into an exclusive licence agreement with the brand owner of TenRen, our second largest supplier during the Track Record Period. The salient terms of the exclusive licence agreement are set out in “Business — Retail Business — “TenRen (天仁茗茶)”  茗茶 — Licence from the brand owner of TenRen”.

SUMMARY

OUR CUSTOMERS

Our core customers for the Distribution Business are broadly categorised into: (i) supermarket chains; (ii) convenience store chains; (iii) pharmacy chains; (iv) department stores; (v) trading companies; and (vi) others, whereas our customers for the Retail Business are consumers in general. For the years ended 31 March 2015, 2016 and 2017 and five months ended 31 August 2017, sales to our five largest customers amounted to approximately HK\$152.9 million, HK\$128.9 million, HK\$148.2 million and HK\$57.6 million, accounted for approximately 54.1%, 43.0%, 40.3% and 34.0% of our total sales, respectively and each of them accounted for less than 30.0% of our total sales. Sales to our largest customer amounted to approximately HK\$75.2 million, HK\$74.4 million, HK\$94.0 million and HK\$39.1 million, respectively, which accounted for approximately 26.6%, 24.8%, 25.5% and 23.0% of our total sales, respectively for the same periods. Up to the Latest Practicable Date, we had established a relationship of over 11 years with each of our five largest customers for the Track Record Period. Please see “Business — Customers” for details.

During the Track Record Period, one of our five largest customers, namely New Odaiba, was a connected person of our Company, the sales of which amounted to approximately HK\$35.3 million, HK\$19.2 million, HK\$19.0 million and HK\$5.7 million, for the years ended 31 March 2015, 2016 and 2017 and five months ended 31 August 2017, respectively. Please see “Business — Customers” and “Connected Transactions — Exempt continuing connected transactions — 2. Sales of products by our Group”.

COMPETITION

According to the Industry Report, the food and beverage distribution industry in Hong Kong is highly competitive and fragmented with a diversified market players. There were over 8,000 food and beverage distributors (excluding retailers) in 2016. The food and beverage distribution industry is forecasted to maintain a stable growth, with the total sales value reaching approximately HK\$46.3 billion and HK\$49.8 billion by 2017 and 2021, respectively with a CAGR of approximately 1.9% from 2017 to 2021.

On the other hand, the tea drinks chain market in Hong Kong is highly concentrated. The top three players in the tea drinks chain market accounted for approximately 62.4% share in terms of total revenue for the period from 1 November 2016 to 31 October 2017. Our “TenRen (天仁茗茶)”  茗茶 retail outlets recorded sales revenue of approximately HK\$134.6 million (excluding revenue generated from tea leaves products and accessories) for the period from 1 November 2016 to 31 October 2017, accounting for a market share of approximately 24.3% and ranked first in the tea drinks chain market in Hong Kong in terms of total revenue.

Please see “Industry Overview” for details.

SUMMARY

RISK FACTORS

There are certain risks involved in our operations and in connection with the Share Offer, many of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our industry; and (iii) risks relating to the Share Offer, which are further described in “Risk Factors”. Set forth below are some of the major risks that could materially and adversely affect us:

- (a) our business operations and financial performance rely on the supply of finished products and raw materials from brand owners or suppliers;
- (b) we rely on our customers to penetrate the retail market with our distribution products;
- (c) some of our retailers with significant bargaining power account for a significant portion of our distribution sales;
- (d) we generally do not enter into long-term agreements with our customers;
- (e) as we lease all of the properties on which our retail outlets under the Retail Business operate, 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 reasonable terms, our business, results of operations and ability to implement our growth strategy will be adversely affected; and
- (f) our performance depends on favourable labour relations with our employees, and any deterioration in labour relations, shortage of labour or material increase in wages may have an adverse effect on our results of operation.

SHAREHOLDERS' INFORMATION

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), our Company will be owned as to (i) 25% by ACAC Investment, which is wholly owned by Mr. Andrew Chan; (ii) 25% by SCSC Holdings, which is wholly owned by Mr. Stephen Chan; and (iii) 25% by CCST Investment, which is wholly owned by Mr. William Chau. For details regarding the shareholding interests of our Substantial Shareholders, please see “Substantial Shareholders”. As each of ACAC Investment, Mr. Andrew Chan, SCSC Holdings, Mr. Stephen Chan, CCST Investment and Mr. William Chau is directly or indirectly entitled to exercise or control the exercise of 10% or more of the voting power at general meetings of our Company immediately upon completion of the Share Offer (without taking no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), each of them will be regarded as our Substantial Shareholder under the Listing Rules. Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau were parties acting collectively in respect of matters including management and control of the Hong Kong subsidiaries of our Company during the Track Record Period and up to the Latest Practicable Date, and will cease to be acting collectively upon and after Listing, and therefore do not constitute a group of controlling shareholders (as defined under the Listing Rules) of our Company upon Listing.

SUMMARY

While certain Substantial Shareholders and/or their respective close associates, namely Mr. William Chau and his spouse, Ms. Tan Ching Bee, and Mr. Stephen Chan had interests in certain food wholesale and/or retail business, our Directors are of the view that there is a clear delineation between the business of our Group and theirs, taking into account the differences in business focus, services, products, major target customers and ownership and operation. To protect our Group from any potential competition after Listing, our Substantial Shareholders have entered into the Deed of Non-competition undertaking not to compete with our business. Also, we have entered into, and are expected to continue after the Listing, certain continuing connected transactions with certain connected persons of our Company. For more details, please see “Relationship with Substantial Shareholders” and “Connected Transactions”.

COMPETITIVE STRENGTHS

We believe that our success and our future prospects are attributable to a combination of our competitive strengths. We also believe that we are in a strong position to capitalise on the increasing consumer spending on food and beverage products in Hong Kong. Our competitive strengths are as follows:

- (i) we provide supply chain solutions to attract overseas brand owners and local retailers;
- (ii) we have an established customer network to distribute products widely in Hong Kong;
- (iii) we possess a fast-growing retail network in Hong Kong with strong growth potentials;
- (iv) there is synergy in our integrated and self-operated business model;
- (v) we have stringent quality control and assurance systems; and
- (vi) we have an experienced management team with a proven track record of growth, leadership, and execution.

Please see “Business — Our strengths” for details.

BUSINESS STRATEGIES AND FUTURE PLANS

We aim to increase our share in the expanding food and beverage distribution and retail industries and continue to be the active player in such industries in Hong Kong. We aim to achieve this goal through the following strategies:

- (i) expand the Retail Business by opening new outlets and introducing new retail brands;
- (ii) further develop the Distribution Business by enlarging the brand/product portfolio;
- (iii) increase warehouse facilities to expand storage capacity; and
- (iv) upgrade our ERP system to enhance our operation efficiency.

Please see “Business — Our strategies” for details.

SUMMARY

SUMMARY FINANCIAL INFORMATION

The following is a summary of our combined results for the periods indicated, which has been extracted from the Accountant's Report in Appendix I to this prospectus.

Key income statement information

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i>
Revenue	282,558	299,770	367,978	141,214	169,719
Gross profit	65,892	77,792	91,178	34,591	42,499
Profit before income tax	19,334	25,296	33,789	9,282	9,239
Profit and total comprehensive income for the year/period	16,250	21,151	28,260	7,672	6,610

Key balance sheet information

	As at 31 March			As at 31 August 2017
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	19,487	25,551	34,712	44,021
Current assets	87,233	105,410	125,907	131,925
Current liabilities	62,682	78,719	97,225	105,984
Net current assets	24,551	26,691	28,682	25,941
Total equity	43,976	52,077	63,327	69,937

Selected cash flow items

	Year ended 31 March			Five months ended 31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	29,854	33,326	22,963	6,553
Net cash used in investing activities	(4,228)	(9,253)	(14,348)	(17,632)
Net cash used in financing activities	(23,451)	(6,561)	(1,246)	(1,754)
Net increase/(decrease) in cash and cash equivalents	2,175	17,512	7,369	(12,833)

SUMMARY

Key financial ratios

	Year ended/As at 31 March			Five months ended/As at 31 August
	2015	2016	2017	2017
Net profit margin before interest and tax (%)	7.3	8.8	9.6	5.8
Net profit margin (%)	4.8	6.6	7.4	3.7
Return on equity (%)	35.5	42.4	46.7	N/A
Return on total asset (%)	12.8	15.1	17.0	N/A
Interest coverage (times)	14.8	26.0	25.3	17.5
Current ratio (times)	1.4	1.3	1.3	1.2
Quick ratio (times)	1.1	1.1	1.1	1.0
Gearing ratio (%) <i>(Note 1)</i>	112.1	111.3	119.0	109.8
Debt-to-equity ratio (%) <i>(Note 2)</i>	83.4	53.4	59.8	63.8

Notes:

1. Gearing ratio is calculated based on total debt at the end of the financial year/period divided by total equity at the end of the financial year/period and multiplied by 100%. Our debt refers to bank borrowings, obligation under hire purchase contracts and amounts due to related parties.
2. Debt-to-equity ratio is calculated based on net debt at the end of the financial year/period divided by total equity at the end of the financial year/period and multiplied by 100%. Net debt refers to bank borrowings, obligation under hire purchase contracts and amounts due to related parties net of cash and cash equivalents and restricted cash.

LISTING EXPENSES

Our Directors are of the view that our financial results for the year ending 31 March 2018 are expected to be adversely affected by the Listing expenses in relation to the Share Offer, the nature of which is non-recurring. The total Listing fees in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$27.2 million (based on the mid-point of the indicative Offer Price range of HK\$0.9 per Offer Share and 100,000,000 Offer Shares). Among the estimated total Listing fees, (i) approximately HK\$10.1 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$17.1 million is expected to be recognised as expenses in our combined statements of comprehensive income, of which approximately HK\$6.2 million had been recognised for the five months ended 31 August 2017 and the remaining of approximately HK\$10.9 million is expected to be recognised during the seven months ending 31 March 2018.

SUMMARY

USE OF PROCEEDS

We estimate that the net proceeds which we will receive from the Share Offer, after deducting underwriting fees and estimated expenses in relation to the Share Offer paid and payable by our Company, will be approximately HK\$62.8 million (based on the mid-point of the indicative Offer Price range of HK\$0.9 per Offer Share). We intend to apply the net proceeds from the Share Offer for the following purposes:

<u>Use of proceeds</u>	<u>Approximate amount or % of net proceeds</u>
For opening of new retail outlets	HK\$41.2 million or 65.6%
For leasing and setting up new warehouse facilities of a gross floor area of approximately 30,000 sq.ft. in aggregate	HK\$10.8 million or 17.2%
For upgrading our ERP system, including upgrade or installation of operation, information technology, accounting and inventory systems	HK\$3.2 million or 5.1%
For recruitment of three additional marketing sales personnel for the Distribution Business	HK\$2.2 million or 3.5%
For general working capital purposes	HK\$5.4 million or 8.6%

For details of our use of proceeds and the reasons for the Listing and the Share Offer, please see “Future Plans and Use of Proceeds”.

DIVIDEND

For the three years ended 31 March 2015, 2016 and 2017, dividend of approximately HK\$11.0 million, HK\$13.1 million and HK\$17.0 million, respectively, were declared and paid by the companies now comprising our Group to the then owners of the companies. On 14 February 2018, our Directors declared a special dividend of HK\$15.0 million to our current Substantial Shareholders, which will be settled prior to Listing. Such special dividend will be partially settled by way of novation of five out of eight of the key management life insurance contracts we held using their cash surrender value as at 31 December 2017 of approximately HK\$10.8 million in aggregate and the remaining portion of approximately HK\$4.2 million to be settled by cash.






The declaration of future dividends will be at the discretion of our Directors and will depend upon our earnings, cash requirements and availability, financial condition, and any other factors which our Directors deem relevant. We do not have any dividend policy nor a predetermined dividend distribution ratio. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. Please see “Financial Information — Dividend” for details.


SUMMARY

FOREIGN EXCHANGE

During the Track Record Period, we purchased most of the goods from overseas suppliers and the settlement currencies with such suppliers were mainly denominated in JPY, TWD and USD. The aggregate purchase amount which were settled in these three currencies were approximately HK\$147.5 million, HK\$136.9 million, HK\$168.6 million and HK\$77.8 million, respectively, representing approximately 79.9%, 80.4%, 83.6% and 87.5% of our total purchase amount during the years ended 31 March 2015, 2016 and 2017 and five months ended 31 August 2017. On the other hand, we sold all such products to our customers in Hong Kong who settled in HKD. Fluctuation of the exchange rates of these foreign currencies may affect our gross profit margin since our products were priced in HKD and the unit selling price may not be adjusted to reflect the fluctuation of purchase costs due to the movements of exchange rates in full. For further details of how movements of foreign exchange rates affect our business, results of operations and financial condition, please see “Risk Factors — Fluctuation in foreign exchange rates may materially and adversely affect our business, results of operations and financial condition” and “Financial Information — Key factors affecting our results of operations — Fluctuation of foreign exchange rates”.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to expand our retail network, with three and one new “TenRen (天仁茗茶)”  茗茶 retail outlets opened in December 2017 and January 2018, respectively, two new “Jiu Tang Wu (九湯屋)”  九 retail outlets opened in October and December 2017, respectively and one new “Hotel Chocolat”  retail outlet opened in November 2017. We relocated one “TenRen (天仁茗茶)”  茗茶 retail outlet in September 2017, and closed another retail outlet in December 2017 due to the expiry of the lease and is pending to be relocated in March 2018. We have also entered into two more lease agreements to set up two new “TenRen (天仁茗茶)”  茗茶 retail outlets, which are expected to be opened during the second quarter of 2018.

Our business model, revenue structure and cost structure generally remain unchanged, subsequent to the Track Record Period and up to the date of this prospectus. Based on the unaudited financial information of our Group, we recorded an increase in revenue for the nine months ended 31 December 2017 as compared to the nine months ended 31 December 2016, which was mainly attributable to the revenue increase from our Retail Business as a result of the increase in number of “TenRen (天仁茗茶)”  茗茶 retail outlets.

MATERIAL ADVERSE CHANGE

Save as the Listing fee of appropriately HK\$10.9 million which will be recognised during the seven months ending 31 March 2018, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospect since 31 August 2017, being the date to which our latest audited financial information was prepared and there had been no event since 31 August 2017 which would materially affect the information shown in the Accountant’s Report.

SUMMARY

OFFER STATISTICS

	Based on an Offer Price of	
	HK\$0.80 per Offer Share	HK\$1.00 per Offer Share
Market capitalisation <i>(Note)</i>	HK\$320 million	HK\$400 million
Unaudited pro forma adjusted combined net tangible assets per Share <i>(Note)</i>	HK\$0.31	HK\$0.36

Note: Please see “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for details regarding the assumptions and calculation basis used.

Prospective investors should note that, after taking into consideration a dividend of HK\$15.0 million declared and to be paid by our Company prior to the Listing as disclosed in “— Dividend”, the unaudited pro forma adjusted combined net tangible assets per Share would be approximately HK\$0.27 (assuming an Offer Price of HK\$0.80 per Offer Share) and approximately HK\$0.32 (assuming an Offer Price of HK\$1.00 per Offer Share), respectively.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus.

“ACAC Investment”	ACAC Investment Limited, a company incorporated in the BVI with limited liability on 16 August 2017, which is wholly and beneficially owned by Mr. Andrew Chan as at the Latest Practicable Date
“Accountant’s Report”	the accountant’s report of our Company prepared by the reporting accountant of our Company as set out in Appendix I to this prospectus
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s) or, where the context so requires, any of them, relating to the Public Offer
“Application List(s)”	the application list(s) used in the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted by our Shareholders on 12 February 2018 to take effect upon the Listing Date, as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Bands Investment”	Bands Investment Limited, a company incorporated in the BVI with limited liability on 22 September 2017, which is wholly and beneficially owned by the Company as at the Latest Practicable Date
“Best Source”	Best Source Enterprise Limited (良泉企業有限公司), a company incorporated in Hong Kong with limited liability on 12 December 1991 and is owned as to 33.33% by each of Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau as at the Latest Practicable Date
“Board”	the board of Directors
“business day(s)”	any day(s) (other than a Saturday, Sunday or public holiday in Hong Kong) on which licenced banks in Hong Kong are generally open for normal banking business
“Business Transfer Deeds”	collectively the Business Transfer Deed with Saw Corporation and the Business Transfer Deed with Sunny Land

DEFINITIONS

“Business Transfer Deed with Saw Corporation”	the business transfer deed dated 21 November 2017 and entered into between Best Source as the vendor and Saw Corporation as the purchaser
“Business Transfer Deed with Sunny Land”	the business transfer deed dated 21 November 2017 and entered into between Best Source as the vendor and Sunny Land as the purchaser
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 299,998,500 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in “Statutory and General Information — Further information about our Company and our subsidiaries — 3. Resolutions in writing of the Shareholders passed on 12 February 2018” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CCST Investment”	CCST Investment Limited, a company incorporated in the BVI with limited liability on 16 August 2017, which is wholly and beneficially owned by Mr. William Chau as at the Latest Practicable Date
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan

DEFINITIONS

“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	B & S International Holdings Ltd. (賓仕國際控股有限公司), a company incorporated in the Cayman Islands on 21 August 2017 as an exempted company with limited liability
“Confirmatory Deed in relation to the Trust Arrangement in National Jade”	a confirmatory deed executed by Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau on 27 September 2017 confirming that, among others, since 18 December 1997, Mr. Andrew Chan has been holding (i) 1,700 shares in National Jade for himself; (ii) 1,700 shares in National Jade on trust for and on behalf of Mr. Stephen Chan, being a beneficial owner; and (iii) 1,700 shares in National Jade on trust for and on behalf of Mr. William Chau, being another beneficial owner
“Confirmatory Deed in relation to Parties Acting Collectively”	a confirmatory deed executed by Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau on 11 October 2017 in relation to the arrangements to act collectively among them, details of which are disclosed in “History, Reorganisation and Corporate Structure — Parties acting collectively”
“Consumer Goods Safety Ordinance”	the Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 12 February 2018 entered into by ACAC Investment, Mr. Andrew Chan, SCSC Holdings, Mr. Stephen Chan, CCST Investment, and Mr. William Chau, being our Substantial Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in “Statutory and General Information — Other information — 16. Estate duty, tax and other indemnities” in Appendix IV to this prospectus

DEFINITIONS

“Deed of Non-competition”	the deed of non-competition undertaking dated 12 February 2018 entered into by ACAC Investment, Mr. Andrew Chan, SCSC Holdings, Mr. Stephen Chan, CCST Investment, and Mr. William Chau, being our Substantial Shareholders, in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in “Relationship with Substantial Shareholders — Deed of Non-competition”
“Director(s)”	the director(s) of our Company
“Distribution Business”	one of our two business segments, in which we derive revenue primarily by distributing and marketing a diversified portfolio of overseas branded food and beverage products to retailers in Hong Kong
“electronic application instruction(s)”	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Public Offer Shares
“Frost & Sullivan”	Frost & Sullivan Limited, an independent industry consultant engaged by our Company
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require) or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their respective predecessors
“HK\$”, “Hong Kong dollar(s)” or “cent(s)”	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Union Registrars Limited, our Hong Kong branch share registrar and transfer office
“Hong Kong Government”	the government of Hong Kong
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as our Directors are aware after having made reasonable enquiries, is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or Substantial Shareholder of our Company, its subsidiaries or any of their respective associates
“Industry Report”	the industry report provided by Frost & Sullivan, which was commissioned by us in relation to, among other things, the food and beverage distribution industry and tea drinks chain market in Hong Kong
“Joint Bookrunners”	Lego Securities Limited and Kingsway Financial Services Group Limited, being the joint bookrunners to the Share Offer
“Joint Lead Managers”	Kingsway Financial Services Group Limited, China Galaxy International Securities (Hong Kong) Co., Limited and Brilliant Norton Securities Company Limited, being the joint lead managers to the Share Offer
“JPY”	Japanese yen, the lawful currency of Japan
“Latest Practicable Date”	17 February 2018, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, currently expected to be 14 March 2018, on which dealings of the Shares on the Main Board first commence

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operating in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company as amended from time to time
“Mr. Andrew Chan”	Mr. Chan Kam Chuen Andrew (陳錦泉), an executive Director, the chairman of our Board, our chief executive officer, a Substantial Shareholder, the brother of Mr. Stephen Chan and the spouse of Ms. Janny Tin
“Mr. Paul Fung”	Mr. Fung King Wai Paul (馮競威), a shareholder and a director of National Jade
“Mr. Stephen Chan”	Mr. Chan Siu Cheung Stephen (陳紹璋) (formerly known as Mr. Chan Siu Cheung (陳小璋), an executive Director, a Substantial Shareholder, the brother of Mr. Andrew Chan and the brother-in-law of Ms. Janny Tin
“Mr. William Chau”	Mr. Chau Wing Kong William (周永江), an executive Director and a Substantial Shareholder
“Ms. Janny Tin”	Ms. Tin Hau Ling Janny (田巧玲), an executive Director, the spouse of Mr. Andrew Chan and the sister-in-law of Mr. Stephen Chan
“National Jade”	National Jade Limited (迅國有限公司), a company incorporated in Hong Kong with limited liability on 22 August 1996 and an indirect non-wholly owned subsidiary of our Company
“New Odaiba”	New Odaiba (新台場), a sole proprietorship established in Hong Kong on 10 June 2003, which is owned by Ms. Tan Ching Bee, the spouse of Mr. William Chau

DEFINITIONS

“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$1.00 and expected to be not less than HK\$0.80, at which the Offer Shares are to be subscribed for and issued, or purchased and sold and which is to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, as described in “Structure and Conditions of the Share Offer — Pricing and allocation”
“Offer Share(s)”	the Public Offer Shares and the Placing Shares
“Placing”	the conditional placing by the Placing Underwriters of the Placing Shares at the Offer Price plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, details of which are described in “Structure and Conditions of the Share Offer — The Placing”
“Placing Share(s)”	the 90,000,000 new Shares, initially being offered for subscription by our Company at the Offer Price under the Placing (subject to re-allocation as described in “Structure and Conditions of the Share Offer — Re-allocation between the Placing and the Public Offer”)
“Placing Underwriters”	the group of underwriters led by the Sole Global Coordinator, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional placing agreement relating to the Placing and expected to be entered into by, among others, the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) and our Company on or about the Price Determination Date
“Price Determination Agreement”	the agreement expected to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Offer Price
“Price Determination Date”	the date, expected to be on or around Tuesday, 6 March 2018 and in any event no later than Tuesday, 13 March 2018, on which the Offer Price is fixed for the purpose of the Share Offer

DEFINITIONS

“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong as described in “Structure and Conditions of the Share Offer — The Public Offer” at the Offer Price (plus brokerage of 1.0%, 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
“Public Offer Shares”	the 10,000,000 new Shares being offered for subscription by our Company at the Offer Price under the Public Offer (subject to re-allocation as described in “Structure and Conditions of the Share Offer — Re-allocation between the Placing and the Public Offer”)
“Public Offer Underwriters”	the underwriters of the Public Offer named in “Underwriting — Public Offer Underwriters”
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 23 February 2018 relating to the Public Offer entered into by, among others, our Company and the Public Offer Underwriters, particulars of which are summarised in “Underwriting — Underwriting arrangements and expenses”
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in “History, Reorganisation and Corporate Structure — Reorganisation”
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders. Please see “Statutory and General Information — Further information about our Company and our subsidiaries — 3. Resolutions in writing of our Shareholders passed on 12 February 2018” in Appendix IV to this prospectus
“Retail Business”	one of our two business segments, in which we derive revenue primarily by selling overseas branded food and beverage products at our self-operated retail outlets in Hong Kong
“Saw Corporation”	Saw Corporation Limited, a company incorporated in Hong Kong with limited liability on 24 January 2003 and an indirect wholly-owned subsidiary of our Company
“SCSC Holdings”	SCSC Holdings Limited, a company incorporated in the BVI with limited liability on 16 August 2017, which is wholly and beneficially owned by Mr. Stephen Chan as at the Latest Practicable Date

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	the holder(s) of the Shares
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 12 February 2018, the principal terms of which are summarised in “Statutory and General Information — Other information — 15. Share Option Scheme” in Appendix IV to this prospectus
“Sole Global Coordinator”	Lego Securities Limited, a licenced corporation permitted to carry out type 1 (dealing in securities) regulated activities under the SFO, being the sole global coordinator to the Share Offer
“Sole Sponsor”	Lego Corporate Finance Limited, a licenced corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the sole sponsor to the Listing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in the context of our Company, comprises ACAC Investment, Mr. Andrew Chan, SCSC Holdings, Mr. Stephen Chan, CCST Investment and Mr. William Chau
“Sunny Land”	Sunny Land Corporation Limited (耀域有限公司), a company incorporated in Hong Kong with limited liability on 16 June 2017 and an indirect wholly-owned subsidiary of our Company
“Takeovers Code”	the Codes on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017

DEFINITIONS

“TWD”	Taiwan New dollars, the lawful currency of Taiwan
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States”, “US” or “U.S.”	the United States of America
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“USD” or “US\$”	United States dollars, the lawful currency of the United States
“Wise Fine”	Wise Fine Enterprise Limited (智耀企業有限公司), a company incorporated in Hong Kong with limited liability on 1 March 2004 and an indirect wholly-owned subsidiary of our Company
“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS
“%”	per cent

In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

GLOSSARY OF TECHNICAL TERMS

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

“CAGR”	compound annual growth rate, calculated by subtracting one from the result of dividing the ending value by its beginning value raised to the power of one divided by the period length
“CBM”	cubic metres
“ERP”	enterprise resource planning systems that integrate internal and external management information across an entire organisation, comprising business activities such as finance and accounting, inventory, sales, service and customer relationship management, and automate these activities with an integrated software application
“GDP”	gross domestic product
“SKU”	acronym for stock keeping unit, a unique identifier for each distinct product and service that can be purchased
“sq.ft.”	square feet
“sq.m.”	square metres

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements relating to our plans, intentions, beliefs, objectives, expectations and predictions, which are, by their nature, subject to significant risks and uncertainties and may not represent our overall performance for the periods of time to which such statements relate. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the following:

- our operations and business prospects;
- the amount and nature of, potential for and future development of our business;
- future developments, trends and conditions, competition for our business activities and future development in the industry and the geographical markets in which we operate;
- our strategies, plans and objectives and our various measures to implement or achieve such strategies, plans and objectives;
- our ability to meet the changing needs of our customers;
- our dividend distribution plans or dividend policy;
- our financial condition and performance;
- our needs for capital;
- changes in the laws, rules and regulations in the countries in which we operate and the rules, regulations and policies of the relevant government authorities relating to all aspects of our business, including changes in tax policy and environmental regulations;
- general political and economic conditions in Hong Kong and overseas;
- the general economic trends and conditions;
- changes in competitive conditions and our ability to compete under these conditions;
- our ability to recruit and retain employees and personnel;
- the general economic trends, market and business conditions in the countries or regions in which we operate;
- change or volatility in prices, volumes, operations, margins, overall market trends, risk management, interest rates and exchange rates;
- other statements in this prospectus that are not historical facts;
- realisation of the benefits or our future plans and strategies; and
- other factors beyond our control.

FORWARD-LOOKING STATEMENTS

When used in this prospectus, the words “aim”, “anticipate”, “believe”, “can”, “consider”, “continue”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “predict”, “project”, “propose”, “potential”, “seek”, “shall”, “should”, “will”, “would”, “with a view to” and the negatives of these terminologies and similar expressions, as they relate to us, are intended to identify forward-looking statements. We make these forward-looking statements based on current plans and estimates and they speak only as at the date they were made. These forward-looking statements are not a guarantee of future performance. Actual outcomes could be caused to differ materially from those expressed in any forward-looking statements by, including without limitation, the risk factors set forth under “Risk Factors”.

Although our Directors believe that our current views as reflected in these forward-looking statements based on currently available information are fair and reasonable and that our Directors confirm that these forward-looking statements are made after due and careful consideration, we can give no assurance that these views will prove to be correct. You are strongly cautioned that reliance on any forward-looking statements in this prospectus involves known and unknown risks and uncertainties. The risks and uncertainties in this regard include, but are not limited to, those identified in “Risk Factors”, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us or our Directors that our plans or objectives will be achieved.

Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected.

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

Subject to the requirements of applicable laws, rules (including the Listing Rules) and regulations, we do not have any and undertake no obligation to update or otherwise revise any forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances contained in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or reference to our intentions or that of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

You should consider carefully all the information set out in this prospectus and, in particular, the risks and uncertainties described below before making an investment in our Shares. The occurrence of any of the following events could harm us and our Group's business, financial condition or results of operations could be materially and adversely affected by any of these risks. If these events occur, the trading price of our Shares could decline and you may lose all or part of your investment.

We believe that we are subject to certain risks and uncertainties. Some of these risks are beyond our control and can be categorised in the following manner:

RISKS RELATING TO OUR BUSINESS

Our business operations and financial performance rely on the supply of finished products and raw materials from brand owners or suppliers.

During the Track Record Period, we primarily sourced from brand owners or suppliers finished food and beverage products for sale to our customers consisting of mainly retailers in our Distribution Business, and raw materials for us to prepare food and beverage products for sale at our self-operated retail outlets in our Retail Business. As such, we rely on the ability and efficiency of suppliers to supply finished products and raw materials to us and our suppliers play a vital role in our business. Generally, we do not enter into long-term supply agreements with our brand owners or suppliers. Although we have entered into exclusive distributorship/licence agreements with the brand owners of UHA, TenRen, Hsin Tung Yang and Chek Hup, who were our top five suppliers during the Track Record Period, the exclusive agreements are subject to termination. The agreements with UHA and Chek Hup are terminable by the brand owners by giving three months' prior notice, and the agreement with the brand owner of Hsin Tung Yang may be terminable by the brand owner if we are found to be in breach. In addition, such agreements are for terms running from one year to 10 years, which may not be renewed. Therefore, there is no assurance that our brand owners or suppliers will continue to supply products and raw materials to us with desired quality and in required quantities, in a timely manner and on terms commercially acceptable to us. Any disruption to our brand owners' or suppliers' business may inevitably have an impact on their ability to supply products and raw materials in accordance with our requirements. If any of our brand owners or suppliers terminate their business relationship with us or if there are any unfavourable changes to our current business arrangements, we may be unable to locate suitable alternative brand owners or suppliers in a timely manner to supply products and raw materials with comparable brand reputation and quality, and on terms and prices equivalent to or better than the current business arrangements. Any of the above may adversely affect our business, results of operations and financial condition.

RISK FACTORS

We rely on our customers to penetrate the retail market with our distribution products.

We rely on our customers, mainly consisting of retailers, to sell our products of the Distribution Business. For the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, we generated approximately 85.6%, 73.6%, 66.1%, 65.7% and 56.7% of our revenue from our Distribution Business, respectively. As we sell and distribute our products to retailers, the following events, among others, in relation to our business relationships with them, could cause fluctuations or declines in our revenue and could adversely affect our business, results of operations and financial condition:

- (a) reduction, delay or cancellation of orders from one or more of the retailers;
- (b) selection or increased sales by the retailers of our competitors' products;
- (c) failure to maintain relationships with the existing retailers;
- (d) failure to establish relationships with new retailers on acceptable commercial terms; and
- (e) inability to identify and appoint additional or replacement retailers in a timely manner upon the loss of one or more of our retailers.

Some of our retailers with significant bargaining power account for a significant portion of our distribution sales.

We rely on retailers, in particular, supermarket, pharmacy and convenience store chains, to distribute our food and beverage products. Some of these retailers have significant bargaining power with respect to their purchases from us. In particular, certain retailers belong to the same group, which collectively account for a substantial portion of our revenue. For instance, our largest customer for the Track Record Period is a high profile mixed retail group with over 310 supermarkets, 290 pharmacies and 970 convenience stores in Hong Kong as at 31 October 2017. It accounted for approximately 26.6%, 24.8%, 25.5% and 23.0% of our total revenue for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. These retailers may be in a position to resist our price increases or demand lower prices. If we do not successfully provide appropriate marketing, pricing and sales incentives to these retailers, our product availability and sales could be adversely affected.

RISK FACTORS

We generally do not enter into long-term agreements with our customers of the Distribution Business.

To retain operation flexibility, we usually do not enter into long-term arrangements with our customers of the Distribution Business and our customers usually purchase from us pursuant to individual purchase orders. Since our customers of the Distribution Business are generally not obligated to continue purchasing products from us, we cannot assure you that the volume of our customers' purchase orders will remain constant or increase, or that we will be able to maintain or expand our existing customer base. There is also no guarantee that our current or future agreements with our customers of the Distribution Business can be negotiated on terms and prices equivalent to or better than current terms and prices. Significant decreases in the volume of purchase orders or our inability to retain or expand our current customer base may adversely affect our business, results of operations and financial condition.

As we lease all of the properties on which our retail outlets under the Retail Business operate, 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 reasonable 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 retail outlets in respect of the Retail Business operate. Accordingly, rental costs account for a significant portion of our operating expenses. For the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, property rentals for our retail outlet premises amounted to approximately HK\$7.8 million, HK\$16.2 million, HK\$25.8 million, HK\$9.7 million and HK\$15.0 million, respectively, representing approximately 19.2%, 20.5%, 20.6%, 20.1% and 20.4% of the revenue from our Retail Business during the respective periods. Our substantial operating lease obligations expose us to potentially significant risks, including an increase of our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes. We may also have disputes with our landlords, with risks of claims or litigation, and we may be unable to renew our existing tenancies.

Our Directors believe that rental costs for premises that are suitable for opening retail outlets will continue to increase. The lease agreements for our retail outlets typically have an initial term ranging from one to three years. Some of our lease agreements provide that the rent will increase within the initial 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 retail outlets, as specified by the terms of the relevant lease agreements. Where we do not have an option to renew a lease agreement, we must negotiate the terms of renewal with the lessor, who may insist on an increase in rent and/or a significant modification to the terms and conditions of the lease.

RISK FACTORS

Further, if a lease agreement is renewed at a rate substantially higher than the existing rate or any existing favourable terms granted by the landlord, if any, 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 retail outlet premises, we will have to close or relocate the relevant retail outlet, which would lead to loss of sales that the retail outlet would have contributed during the period of closure, write-off of fixed assets and could subject us to installation and renovation and other costs and risks. In addition, the revenue and any profit generated at a relocated retail outlet may be less than the revenue and profit previously generated at the closed retail outlet. Therefore, any inability to renew existing leases on commercially acceptable terms could adversely affect our business, results of operations and financial condition. We also 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 reasonable terms, if at all. Therefore, any inability to obtain leases for desirable retail outlet locations on commercially reasonable terms could adversely affect our business, results of operations and financial condition.

Our performance depends on favourable labour relations with our employees, and any deterioration in labour relations, shortage of labour or material increase in wages may have an adverse effect on our results of operations.

Our success heavily relies on our ability to identify, hire, train and retain suitable and skilled employees to operate our business and to generally maintain favourable relations with our customers. For example, we rely on our sales representatives to solicit prospective customers through sales and marketing activities, warehouse staff to station at our warehouse facilities to receive delivery of products from our suppliers, manage our inventory and repackage certain food and beverage products and shop managers to manage the daily operation of our retail outlets. Some of these tasks could be physically strenuous and arduous in nature and our business nature remains labour intensive in general. Any deterioration of labour relations may adversely affect our operational stability and efficiency. We cannot give any assurances that favourable labour relations can be maintained. Any industrial action or strike by our labour force beyond our Group's control may also cause temporary or prolonged disruption to our business operation. Further, the minimum wage requirements have resulted in increased labour costs and average labour wages are expected to increase. In addition, we may need to increase our total compensation to attract and retain experienced personnel required to achieve our business objectives. Any material increase in our labour costs could adversely affect our business, results of operations and financial condition.

RISK FACTORS

Our business and operation are susceptible to product liability or food safety claims.

As we are not involved in the manufacturing of the products we distribute and sell under our Distribution Business and the raw materials we use in our Retail Business, we do not have control over their quality. The sale of food and beverage products for human consumption involves inherent risks of personal injury to consumers, which includes risks posed by the following:

- (a) food and beverage contamination or degeneration during storage or transportation processes;
- (b) contamination of raw materials;
- (c) spoilage of raw materials;
- (d) consumer product liability claims;
- (e) product tampering;
- (f) product labelling errors;
- (g) the expense and possible unavailability of product liability insurance; and
- (h) the potential cost and disruption of product recalls.

If the food and beverage products or raw materials supplied to us are found to be spoiled, contaminated, tampered with, incorrectly labelled or reported to be associated with any such incidents, our reputation, business, financial condition, results of operations and prospects could be materially and adversely affected. In addition to the risks caused by our processing operations and the subsequent handling of our products, we may encounter the same risks if a third party tampers with our products. Any product contamination could also subject us to product liability claims, adverse publicity, government scrutiny, investigation or intervention, or product returns, resulting in increased costs, and any of these events could adversely affect our business, results of operations, financial condition and prospects. Also, we cannot guarantee that our suppliers are in full compliance with all the relevant health and safety standards, licencing or permits requirements, customs clearance and quality control measures in such processes before the supply of products or raw materials to us. Upon receiving the products and raw materials from our suppliers, we cannot guarantee that the quality of such products and raw materials will not deteriorate as a result of improper storage conditions or other unforeseeable reasons. Such product or raw material quality issues may cause illness to the consumers of our products. Any dispute over the attribution of product liability that may arise would divert our resources and efforts from our business operations to defending legal proceedings which could adversely affect our business, results of operations and financial condition.

RISK FACTORS

Our current retail outlet locations may become unattractive, and we may be unable to identify and obtain attractive new locations on reasonable terms, if at all, as we face intense competition from other retailers for quality sites.



Currently, most of our retail outlets in Hong Kong are situated at locations with high pedestrian flow, such as shopping malls and street shops in key business or commercial districts. The success of any retail outlet highly depends in substantial part on their locations. There can be no assurance that our current retail outlet locations will continue to be attractive. The economic conditions or demographic patterns of the neighbourhood where our retail outlets are located could decline in the future, potentially resulting in reduced sales in these locations. Any change in the tenant mix or for example, a change in the anchor tenant of a shopping mall in which our retail outlets are located, may result in fewer customers visiting the shopping mall and consequently lower the customer traffic flow to our retail outlets. Additionally, poor maintenance of the relevant shopping mall or building may also attract less patronage and may adversely affect our business. The competition to procure locations with a relatively high pedestrian traffic is intense. If our current retail outlet locations become unattractive and we cannot obtain desirable alternative locations on commercially reasonable terms, our ability to implement our growth strategy may be adversely affected.

We are susceptible to the popularity of various brands.

We believe our success depends substantially on the popularity of the branded products from various brand owners. Brand recognition plays an important role in influencing our customers' decision in purchasing our products. We believe that our continued success will depend in large part on the brand owners' abilities to promote and preserve their brands. If there is any incident that erodes consumers' trust in these brands or if these brands fail to sustain their popularity in view of the fast-moving nature of the food and beverage industry, our business, results of operations and financial condition could be adversely affected.

Opening of new retail outlets 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 retail outlets for the Retail Business. Substantial costs, such as rental deposit, renovation costs and costs of equipment will be incurred before opening new outlets. A new outlet generally generates lower profit due to lower sales and higher start-up operating costs at the initial stage and requires a period of time from its opening to achieve target sales and breakeven.

We have set up 42 self-operated retail outlets and managed one retail outlet pursuant to a management agreement in Hong Kong as at the Latest Practicable Date. As part of our future plans and business strategies, we plan to open around one (the outlet which closed down temporarily pending relocation), eight and eight new retail outlets under the brand of “TenRen (天仁茗茶)” ; nil, five and five new retail outlets under the brand of “Jiu Tang Wu (九湯屋)” ; and nil, one and one new retail outlet under the brand of “Uncle Tetsu (徹思叔叔)”  from the Latest Practicable Date to 31 March 2018 and for each of the years ending 31 March 2019 and 2020, respectively. We expect that the opening of each new retail outlet in Hong Kong will require, on average, capital expenditure of approximately HK\$1.0 million. The total planned capital expenditure for the period from the Latest Practicable Date to 31 March 2018, and for the

RISK FACTORS

two years ending 31 March 2020 for opening our new retail outlets in Hong Kong is expected to be approximately HK\$1.0 million, HK\$14.0 million and HK\$14.0 million, respectively. Please see “Business — Our strategies — Expand the Retail Business by opening new outlets and introducing new retail brands” and “Future Plans and Use of Proceeds” for further details. We determine the above expansion plan based on our current and forecast business operation and the overall market environment. However, our expansion plan will result in significant increases in operating expenses, including an increase of rental expenses, staff costs and depreciation expenses, arising from the opening of new retail outlets. The expected increase in operating expenses arising from the opening of new retail outlets for the year ending 31 March 2019 based on our current expansion plan set out in “Business — Our strategies”, is expected to be approximately HK\$29.9 million. As a result, our operating results and financial position may be materially and adversely affected when our revenue and profit do not increase in proportion to our expansion and corresponding operating expenses.

Our progress of opening new retail outlets from period to period may occur at an uneven rate. Accordingly, the number and timing of new retail outlet opening have had, and may continue to have, an impact on our profitability. As a result, our results of operations may fluctuate significantly from period to period and comparison of our results of operation at 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.

We may be unable to protect brand owners’ industrial know-how, and our ability to compete could be harmed if such industrial know-how is disclosed to third parties.

We rely on trade secrets protection to secure product formulas and production processes of our brand owners. We rely on a combination of contractual responsibilities and confidentiality restrictions in our agreements with our employees to which we disclose such product formulas, and legal and statutory protections to safeguard such proprietary rights, including the ingredients and product formulas. Any confidentiality breach by our employees or any other entities having access to such formulas and other trade secrets could result in third parties, including our competitors, gaining access to such formulas and trade secrets. If our competitors are able to successfully imitate such product formulas while managing to provide comparable products at competitive prices, our market share may decrease.

If the protection provided by law does not adequately safeguard such industrial know-how, we could suffer losses in profits due to the sales of competing products, which exploit such industrial know-how. We may also be subject to disputes, claims or litigation involving third-party intellectual property rights and we may be accused of infringing the intellectual property rights of others. Any of these developments could disrupt our business, divert our resources and management’s attention from our operations and adversely affect our business, results of operations and financial condition.

RISK FACTORS

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

Our brand owners who licensed to us the right to use their brands and related intellectual properties may face claims of infringement of third parties' intellectual proprietary rights and claims for indemnification resulting from such infringement. In addition, our brand owners may be unaware of intellectual property registrations or applications relating to their products and brands that may give rise to potential infringement claims against them. There may also be know-how and recipes granted to us by the relevant brand owners and relied on by 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 our brand owners and us from delivering the subject products and brands or using relevant intellectual properties. Intellectual property litigation is expensive and time-consuming and could divert management's attention from our business. A successful infringement claim against our brand owners and us could, among other things, prohibit us from continue promoting, using, distributing or selling products and brands that have infringed a third party's intellectual property rights. Any intellectual property claim or litigation, regardless of whether we or our brand owners ultimately win or lose, could damage our reputation and adversely affect our business, results of operations and financial condition.

In addition, the intellectual properties licensed to us by the brand owners may be used or infringed by unrelated third parties. Any occurrence of counterfeiting or imitation could impact negatively on brand owners and our products, and could result in a reduction of our market share, causing a decline in our sales and profitability as well as increasing our administrative costs in respect of detection and prosecution. Preventing intellectual property infringement is difficult, costly and time-consuming, and continued unauthorised use of the brand owners' intellectual properties by unrelated third parties may damage the reputation and brand image of our products. The measures the brand owners take to protect their trademarks, trade secrets and other intellectual property rights may be inadequate to prevent unauthorised use by third parties. If the brand owners are unable to adequately protect their trademarks, trade secrets and other intellectual property rights licensed to us, the brand owners may lose these rights, the brand image of our products may be harmed, and our competitive position and business may suffer. To the best knowledge and belief of our Directors, there were no counterfeit of our products identified during the Track Record Period and up to the Latest Practicable Date.

Our Group's business may be affected by consumers' preferences, consumer spending level and general economic conditions.

Our results of operations are largely dependent on the market demand for our products which may fluctuate substantially due to changing consumer tastes and preferences. Further, the demand for our products may be influenced by a number of factors beyond our control, such as consumer spending level, consumer perceptions of and confidence in our product safety and quality, consumer awareness of health issues and general economic conditions. The consumer spending level is affected by an array of general factors, such as interest rates, level of disposable income, political uncertainty, taxation, unemployment level and general consumer confidence. Any

RISK FACTORS

unfavourable changes to these factors may result in lower consumer spending, adversely affect the distribution and retail industries and introduce uncertainty to the market demand for food and beverage products and our future success will depend partly on our ability to anticipate, identify or adapt to such changes and to offer new advertising and promotion strategies in a timely manner that can attract consumers to our products.

We cannot assure you that we will be able to adapt our product and brand portfolio to changes in seasons, food and beverage trends or shifts in consumer tastes and preferences. We may be unable to introduce new products and brands that are in faster-growing and more profitable categories or reduce our sourcing and production of products in categories experiencing consumption declines. Additionally, trends and shifts in consumer preferences and tastes may apply downward pressure on sales and pricing or lead to increased levels of selling and promotional expenses. Any of these factors could adversely affect our business, results of operations and financial condition.

Any fluctuation in the prices of our food and beverage products and raw materials could adversely affect our operation, turnover and profitability.

The food and beverage products and raw materials we use are subject to price volatility caused by external conditions, such as commodity price fluctuations, supply and demand dynamics, logistics and processing costs, our bargaining power with the relevant suppliers, inflation, and governmental regulations and policies. Our food and beverage products and raw material prices may fluctuate and be affected by inflation and other factors over which we have no control. We may be unable to offset all price increases by raising the selling prices of our products. Moreover, we may lose our competitive advantage if the selling prices of our products increase significantly. If the prices of food and beverage products and raw materials increase in the future and we are unable to manage those costs or increase the selling prices of our products to offset those increased costs, our margins and overall profitability may decrease, which could adversely affect our business, results of operations and financial condition.

Our operation is susceptible to unexpected business disruptions and irregularities.

Our business and operation are subject to material unexpected disruptions brought about by natural disasters, including earthquakes or extreme weather such as droughts, floods, excessive cold or heat, typhoons or storms, or other calamities, as well as irregularities in our operation such as fire, power and water outage and other discontinuation of utilities beyond our control. Also, our business could be materially and adversely affected by the outbreaks of contagious diseases such as Severe Acute Respiratory Syndrome, or SARS, influenza A (including H1N1, H7N9 and H10N8), influenza B and Ebola that have spread across the world in recent years. If any of these events occur at or in the vicinity of our warehouse facilities or retail outlets, it may directly cause substantial damage or destruction to our facilities and stocks of products. In addition, if any of our employees are infected or affected by any severe communicable diseases, it could adversely affect our business operations as we may be required to close our warehouse and retail outlets to prevent the spread of the disease. The spread of any severe communicable disease in Hong Kong may also affect the operations of our suppliers and customers, causing delivery disruptions, which could in turn adversely affect our business, results of operations and financial condition.

RISK FACTORS

In addition, we cannot guarantee that the precautionary measures implemented at our warehouse facilities, such as regular inspection of our fire safety facilities and surveillance system, check-ups by the relevant authorities and continued compliance with fire safety laws and regulations in Hong Kong, will be effective in minimising risks of business disruptions. There is no assurance that our Group will take adequate steps to mitigate the potential impact of such disruptions effectively. The occurrence of any such incidents in the future may cause partial or total loss of our stocks, and our operation may be severely impaired or even put to a halt. Any failure to take adequate steps to mitigate the potential impact of unforeseeable events, or to effectively respond to such events, could adversely affect our business, financial condition and results of operations.

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

We rely on certain third-party transportation service providers for the delivery of a variety of products and raw materials when required. Our operation and delivery efficiency may sometimes depend on the service quality of our transportation service providers and their ability to fulfil their obligations in accordance with the terms of their service arrangements with us. There are various reasons beyond our control that could cause delays in delivery, including natural disasters, extreme weather, labour strike and road maintenance constructions. Additionally, third-party transportation service providers may cause damage to or lose our products and raw materials. Any failure to provide on-time delivery may have a material adverse impact on our business operation and our reputation, as well as expose us to potential claims. In such event, we may be unable to seek full recourse against the transportation service providers in default under the terms of the service arrangements or enforce in full any judgement obtained. Any disputes for material breaches by our transportation service providers which may arise in the future may divert our management attention and resources, and adversely affect our business, results of operations and financial condition.

Our Group faces the risk of obsolescence for our inventory.

Our operation involves storage and stocking of a range of food and beverage products and raw materials, most of which are with a limited shelf life. In light of the nature of our products, our Group has implemented measures and procedures such as utilising our existing ERP system to monitor the inventory level and minimise incidences of overstocking. We wrote off inventories of approximately HK\$80,000, HK\$38,000, HK\$106,000, HK\$39,000 and HK\$42,000, respectively, during the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, respectively, as a result of our disposal of damaged products and raw materials that are unsold, returned or expired. Our inventory inevitably faces risks of obsolescence where there are unexpected material fluctuations or abnormalities in the supply and demand of food and beverage products by suppliers and customers, respectively, or where there are changes in consumer tastes and preferences or introduction of new products and brands in the market, which may lead to decreased demand and overstocking of particular products. Apart from material reduction in demand for certain products, goods may be returned from customers in large amounts due to, among other reasons, product quality issues and delayed or wrong delivery. Such returned goods may result in shelving of products which increases the risk of obsolescence. During the

RISK FACTORS

years ended 31 March 2015, 2016 and 2017 and five months ended 31 August 2017, goods returned from our customers amounted to approximately HK\$544,000, HK\$720,000, HK\$441,000 and HK\$271,000, respectively.

In addition, certain food and beverage products, such as chocolate and eggs, are required to be maintained at chilled conditions in our cold storage. Any unexpected and adverse changes in the optimal storage conditions of our warehouse facilities may expedite the deterioration of such products and in turn heighten the risk of inventory obsolescence.

Our revenue may be adversely affected by the highly competitive nature of the food and beverage industry in which we operate.

Our Group competes in the food and beverage distribution industry for both supply of products from suppliers and provision of products to customers. There is no guarantee that we will be able to maintain our competitive strengths in the future as the industry trends evolve and the market changes, particularly in the face of competition stemming from other major existing competitors. Some of our major competitors may have advantages over us, in terms of operating history, product and brand portfolio, reputation, financial resources, sourcing, distribution and retail network. Apart from our existing competitors, in view of the increasing awareness and acceptance of online distribution options, we may also compete with new types of competitors which operate under a different business model and are capable of offering products with relatively lower selling prices to customers, as such business model would be able to reduce the reliance on different intermediaries in the supply chain.

Furthermore, any consolidation among our existing or potential competitors, integration of upstream and downstream businesses or formation of alliances may rapidly and significantly increase their market share, which may diminish the market share we have developed since our establishment and increase the difficulties we face in expanding or gaining market share. Intense competition may cause our existing or potential competitors to adopt irrational or hostile business strategies, such as unreasonable or predatory price reductions and poaching of our employees, any of which may result in loss of our market share and reduced profit margins if we are forced to lower our pricing in response to such tactics adopted by our competitors. An increase in competition could require us to continue to increase our promotion and advertising expenses, which might place pressure on our margins and affect our profitability. We also cannot assure you that our competitors will not actively engage in activities, whether legal or illegal, designed to undermine our brands and product quality or influence consumer confidence in our products and brands.

In addition, during the Track Record Period, some of our products were food and beverage products with no exclusive distributorship right. Our existing or potential competitors may introduce products superior to those that we are selling or may sell distinctive products with exclusivity in the future. Our revenue from sales of products may be adversely affected if these new products are more suited to the changing tastes and preferences of consumers and receive greater market demand. We may be unable to source or distribute these new products, as the distributorship rights of these products may be exclusively granted to our competitors or as a result of other reasons. Consequently, our market share may be adversely affected. We may also face the

RISK FACTORS

loss of our existing customers if they opt to purchase the new products distributed by our existing or potential competitors. As a result, we may be unable to maintain our historical growth of business and our results of operations.

We rely on our key management personnel to maintain our business relationships with existing suppliers and customers, and to identify and secure new business.

Our continual success is substantially dependent on the contribution and dedication of our key management personnel. Save for Ms. Janny Tin, each of our executive Directors has over 25 years of experience in the product distribution industry, and possess extensive knowledge and insight in the industry and consumer market development. For details, please see “Directors and Senior Management”. Since the inception of our Group, our management team has built amicable business relationships with our suppliers and customers and maintained our Group’s reputation. If any key management personnel resigns or otherwise terminates his/her employment contract, we may be unable to recruit new management member with comparable industry experience and knowledge in a timely manner, or at all. In such event, our Group may be unable to maintain our business relationships with the existing suppliers and customers which may in turn cause material adverse impact on our ability to continue our success in the industry. In addition, competition for qualified personnel in Hong Kong is intense and the availability of suitable candidates is limited. Failure to attract and retain our core key personnel could adversely affect our business, results of operations and financial condition.

We may be subject to a liquidity gap due to mismatch in time between receipt of payment from our customers and payments to our suppliers.

As a food and beverage distributor and retailer, we are required to maintain sufficient stocks of products and raw materials for our operations. We rely on prompt payment from our customers to fund our payment to suppliers. As at 31 March 2015, 2016 and 2017 and 31 August 2017, our trade receivables were approximately HK\$52.8 million, HK\$53.3 million, HK\$63.0 million and HK\$67.3 million and our trade receivables turnover days were approximately 87.1 days, 88.0 days, 87.3 days and 103.5 days, respectively; while our trade payables were approximately HK\$4.8 million, HK\$7.3 million, HK\$5.5 million and HK\$5.2 million and our trade payable turnover days were approximately 12.3 days, 13.1 days, 11.7 days and 9.7 days, respectively. As a result of the mismatch in time between receipt of payments from our customers and payments to our suppliers, we have to rely on our internal resources and bank borrowings to maintain our cashflow and to fund our daily operations. If we fail to manage the cashflow mismatch or if the mismatch enlarges, we may have higher funding requirements either from our internal resources or from bank borrowings to meet our payment obligations and our results of operations and financial condition may be materially and adversely affected.

We may be exposed to delays and/or defaults of payments by our customers of our Distribution Business which would adversely affect our cash flows or financial results.

In general, we do not receive any prepayment from our customers of our Distribution Business. Nevertheless, we incur expenses in our operation, including but not limited to: (i) purchase costs of food and beverage products; (ii) rental costs for our warehouses; and (iii) settlement of our staff salary. As such, we are subject to credit risks of our customers and our liquidity is dependent on our customers making prompt payments due to us.

RISK FACTORS

We typically extend credit terms up to 120 days to our major customers. As at 31 March 2015, 2016 and 2017 and 31 August 2017, our trade receivables amounted to approximately HK\$52.8 million, HK\$53.3 million, HK\$63.0 million and HK\$67.3 million, respectively, whereas the respective trade receivables accounted for approximately 60.6%, 50.5%, 50.0% and 51.0% of the total current assets, respectively. Our trade receivables turnover days for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 were approximately 87.1 days, 88.0 days, 87.3 days and 103.5 days, respectively. Our trade receivables turnover days during the Track Record Period remained fairly stable and were shorter than the typical credit period granted by us to our major customers. As at 31 March 2015, 2016 and 2017 and 31 August 2017, trade receivables of approximately HK\$14.7 million, HK\$13.4 million, HK\$11.2 million and HK\$15.6 million, respectively, were past due but not impaired. For details, please see “Financial Information — Description and analysis of principal items in the combined statements of financial position — Trade receivables”. We cannot assure you that we will be able to recover all or any part of the amounts due from our customers of our Distribution Business within the agreed credit terms or at all. Further, in the event that disputes arise between us and the major customers, there is a possibility that we may take longer time than the credit period offered to collect payments. This will negatively affect our cash flows, our business, results of operations and financial condition.

Our efforts in developing, launching and promoting new products and brands may not be successful.

The food and beverage distribution and retail industries in Hong Kong are highly competitive and consumers are tempted to shift their choices and preferences whenever new products and brands are launched or introduced by various marketing and pricing campaigns of different products and brands. In light of the highly competitive and volatile environment, our future growth depends on our ability to continue to source new products and brands to the Hong Kong market. Developing and introducing new products and brands can be risky and expensive, and we cannot assure you that our new products or brands will gain market acceptance or meet the particular tastes or requirements of consumers. We may be unable to introduce new products or brands that are fast-growing or generate acceptable margins. In addition, we may fail to reduce promotion of our products that are experiencing declining consumption in a timely and cost-effective manner. If we are unable to execute our strategy of continuously introducing new products and brands, improving our portfolio of products and brands and satisfying consumers’ changing preferences, it could adversely affect our business, results of operations and financial condition.

Our Group may be unable to adequately manage our future growth and expansion.

Any future development of our business is subject to the availability of adequate management, financial resources, our ability to negotiate favourable cooperation terms with our suppliers and customers, our ability to hire, train and retain skilled personnel to manage and operate our distribution and retail networks, the fluctuation of costs of our products and raw materials, the adaptation of our logistics and other operational and management systems to our expanded distribution and retail networks, market demand for our products and other constraints of market conditions which may be constantly changing. Our Group may be unable to manage our growth effectively in a controlled manner. Any over-expansion could exert pressure on our limited managerial, operational and financial resources and may in turn pose risks to our operational and

RISK FACTORS

financial stability. For example, we may be unable to increase our warehouse facilities, upgrade our ERP system and recruit sufficient manpower in a timely manner to support our business growth. In addition, we may have difficulty in finding reliable suppliers with adequate supplies of ingredients which meet our quality standards, and as a result, any products we introduce into the Hong Kong market may be more expensive to process and may take longer to reach expected sales and profit levels, which could affect the viabilities of these new operations or our overall profitability.

Additionally, our expansion plans and business growth could strain our managerial, operational and financial resources. Our ability to manage future growth will depend on our ability to continue to implement and improve operational, financial and management information systems on a timely basis and to expand, train, motivate and manage our workforce. We cannot assure you that our personnel, systems, procedures and controls will be adequate to support our future growth. Failure to effectively manage our expansion may lead to increased costs and reduced profitability and may adversely affect our growth prospects.

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

We rely on our existing ERP system to manage our purchases from suppliers and sales to customers, monitor and control our inventory level, and review and set our business targets and objectives. Any damage or failure of our ERP system may result in loss of important information regarding sales orders from customers or shipping arrangements with suppliers, and we may be unable to recover such information. As a result, our business, operation and reputation may be adversely affected. Moreover, our ERP system could be vulnerable to various threats including unauthorised disclosure of information, intentional alteration of data, cyber-attacks, acts of nature, electrical disruption, system configuration error and telecommunication malfunction. Any serious system failure or system malfunction could have a negative impact on our operations and reputation. Any unauthorised disclosure of information could cause a leakage of trade secrets, confidential information and supplier and customer information, which could adversely affect our business, results of operations and financial condition.

Our Group may not be fully indemnified for our losses under our current insurance coverage.

Our business operation is susceptible to potential losses caused by a wide range of business disruptions and is exposed to risks of theft, burglary or robbery at our retail outlets, warehouse facilities or during the delivery of products or raw materials. Any such events beyond our control may lead to partial or full loss of our stocks. We have various insurance policies in place to cover liabilities and losses for our retail outlets, warehouses and vehicles. During the Track Record Period, we did not make any insurance claims, nor did we claim any material amounts under the insurance cover. While our Directors are of the view that our insurance coverage is in line with the general coverage in the industry and is adequate for our operations, it may not be adequate to fully compensate for any losses that we may suffer in the future.

RISK FACTORS

Wrongdoing of our employees and outsiders may harm the Retail Business.

The cash sales in our retail outlets are handled by our staff. We may be susceptible to pilferage, theft, fraud, bribery, corruption or even the deliberate contamination of our food and beverage products and raw materials by our staff, our customers or other third parties. Such wrongdoing may harm our reputation, business and operating results. We may be unable to prevent, detect or deter all such instances of pilferage, theft, fraud, bribery, corruption, or even the deliberate contamination of our food and beverage products and other misconduct. Such instances committed against our interests, which may include past acts that have gone undetected or future acts, could adversely affect our business, results of operations and financial condition.

We recorded net operating cash outflow for the five months ended 31 August 2016.

We recorded net cash outflow from operating activities of approximately HK\$183,000 for the five months ended 31 August 2016. Such net cash outflow was mainly attributable to the increase in trade receivables due to the slower account settlement by our customers. We cannot assure you that we will be able to match the timing and amounts of our cash inflows with the timing and amounts of our payment obligations and other cash outflows. As a result, there could be a period during which we experience net cash outflow.

During the Track Record Period, we relied on a combination of cash generated from our operations, banking borrowings and advances from Shareholders to meet our working capital and other liquidity requirements (please see “Financial Information — Liquidity and capital resources”). Net operating cash outflow requires our Group to obtain sufficient external financing to meet our financing needs and obligations. If we are unable to do so, we will be in default of our payment obligations and may not be able to expand our business. Thus, our business, results of operations and financial condition may be materially adversely affected.

Fluctuation in foreign exchange rates may materially and adversely affect our business, results of operations and financial condition.

For the three years ended 31 March 2015, 2016 and 2017 and five months ended 31 August 2016 and 2017, a substantial portion of our procurement in the respective sum of approximately HK\$60.1 million, HK\$59.5 million, HK\$82.7 million, HK\$35.6 million and HK\$34.4 million, accounting for approximately 32.6%, 35.0%, 41.0%, 45.2% and 38.7% of our total purchases, respectively was denominated and settled in JPY. The gain/(loss) on foreign exchange for the years ended 2015, 2016 and 2017 and five months ended 31 August 2016 and 2017 was approximately HK\$2.5 million, HK\$(0.4) million, HK\$(1.1) million, HK\$(1.8) million and HK\$(1.3) million, respectively. Such foreign exchange gains and losses were primarily due to the movement of JPY against HKD. We cannot assure you that we will not continue to suffer losses on foreign exchange in the future. For further details on how foreign exchange rates affect our business, results of operations and financial condition, please see “Financial Information — Key factors affecting our results of operations — Fluctuation of foreign exchange rates”.

RISK FACTORS

Our financial assets at fair value through profit or loss may materially and adversely affect our financial condition and results of operations.

During the Track Record Period, we invested in certain investment funds, comprising portfolio funds issued by reputable banks in Hong Kong which primarily invest in listed securities and bonds. Such investment funds were recognised as financial assets at fair value through profit or loss amounting to approximately HK\$5.6 million, HK\$5.1 million, HK\$5.5 million and HK\$5.9 million in our combined statements of financial position as at 31 March 2015, 31 March 2016, 31 March 2017 and 31 August 2017, respectively. Our Group recorded fair value (loss)/gain on financial assets at fair value through profit or loss of approximately HK\$(9,000), HK\$(442,000), HK\$398,000 and HK\$360,000 for each of the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. For details of fair value (loss)/gain of the investment funds, please see “Financial Information — Description and analysis of principal items in the combined statements of comprehensive income — Other gains/(losses)”. According to the accounting policies applicable to our Group, subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in the combined statements of comprehensive income in the period which they arise. The fair value of the financial assets are mainly determined by the Group’s share of the underlying asset value. Should the underlying asset value of those investment funds increase/decrease by 10% with all other variables being held constant, our Group’s post-tax profit for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 would have increased/decreased by approximately HK\$557,000, HK\$512,000, HK\$552,000 and HK\$588,000, respectively. Since the investment funds are unlisted and the valuation of financial assets at fair value through profit or loss is based on the Group’s share of the underlying asset value of these investment funds, there are uncertainties in the fair value of the financial assets from time to time. Any material loss recognised as a result of fair value change may have a material adverse impact on our combined statements of comprehensive income.

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

During the Track Record Period, our Group was lessee under various lease arrangements related to our business operation. Our current accounting policy for such leases is set out in Note 2.20 of the Accountant’s Report in Appendix I to this prospectus. As at 31 August 2017, our total non-cancellable operating lease commitments amounted to approximately HK\$40.7 million.

During the Track Record Period, our future operating lease commitments were not reflected in our combined statements of financial position. HKFRS 16 “Leases”, which we expect to apply for the first time for our financial year beginning on 1 April 2019, provides new provisions for the accounting treatment of leases and will in the future upon adoption of the standard no longer allow lessees to recognise certain leases outside of the combined statement of financial position. Instead, for all leases with a term of more than 12 months, unless the underlying asset is of low value, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There are certain recognition exemptions under HKFRS 16 that a lessee may elect in respect of short-term leases (leases that, at the commencement date of the respective leases, have a lease term of 12

RISK FACTORS

months or less) and leases for which the underlying asset is of low value. The new standard will therefore result in an increase in right-of-use assets and an increase in lease liabilities in our combined statement of financial position after the adoption of new standard. This will affect our related financial ratios, such as an increase in debt to equity ratio. We do not have any existing debt covenants that are directly affected by change in our lease liability position. In our combined statement of comprehensive income after the adoption of the new standard, the financial impact of leases will be recognised in the future as depreciation of the right-of-use assets and will no longer be recorded as rental expenses. Interest expenses on the lease liability will be presented separately under finance costs. As a result, the rental expense under otherwise identical circumstances will decrease, while depreciation and interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to statement of comprehensive income in the initial year of the lease, and decreasing expenses during the latter part of the lease term. Further details of the application of HKFRS 16 are set out in Note 2.1 of the Accountant's Report in Appendix I to this prospectus.

RISKS RELATING TO THE INDUSTRY

The food and beverage distribution and retail businesses may be subject to increasingly stringent licencing requirements, environmental protection regulations and hygiene standards, which can increase our operating costs.

We are required to obtain a number of registrations, licences and permits for the operation of our business, including, among others, food importer and distributorship registration, food factory licence and frozen confection factory licence. Most of these licences are subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation. The Hong Kong government may revise the current regulations and policies unfavourably to our Group's operation and business in the future. We cannot assure you that the licencing requirements for our operations in Hong Kong will not become more stringent in the future. Any imposition of onerous obligations on us to comply with licencing or permits requirements may increase our costs of operation and in turn adversely affect our profitability.

We cannot guarantee that we will be successful in renewing all the relevant licences we currently have upon their expiration. Also, we may experience difficulty or failure in obtaining the necessary approvals, licences and permits. It is possible that we may be required to suspend our operations until the relevant licences are issued or even cease certain aspects of our business if we fail to obtain such licences for reasons that may go beyond our control. Any failure to comply with the existing regulations or future legislative changes could require our Group to incur significant compliance costs or expenses, or result in the assessment of damages, imposition of fines against us or suspensions of some or all of our businesses, which could adversely affect our business, results of operations and financial condition.

RISK FACTORS

Changes in Hong Kong food safety laws may affect our business.

As a distributor and retailer of food and beverage products intended for direct human consumption, we are subject to extensive food safety laws and regulations of Hong Kong under which we distribute and sell our products. If we fail to comply with food safety laws in Hong Kong, we may be subject to fines, suspension of operations, loss of relevant licences and, in more extreme cases, criminal proceedings against us and our management. There can be no assurance that the Hong Kong government will not impose additional or stricter laws or regulations on food safety, providing for stricter and more comprehensive monitoring and regulation of food and beverage distributors and retailers in areas including food and beverage distribution, processing and sales, which may lead to an increase in our costs of complying with such regulations. We may be unable to pass these additional costs on to our customers. Any of these events could adversely affect our business, results of operations and financial condition.

Any outbreak of animal diseases, epidemic of contagious diseases in Japan, Taiwan, Malaysia or other overseas countries may have a material adverse effect on our business operations and financial condition.

A significant portion of the food and beverage products we currently source are manufactured in Japan, Taiwan and Malaysia. We also distribute food and beverage products sourced from other overseas countries. Any outbreak of animal diseases, or other epidemics in these countries may severely impair our suppliers' ability to supply or continue to supply products and raw materials, as they may be contaminated or otherwise unsafe due to the outbreak of diseases. Any epidemic of contagious diseases affecting humans, such as avian influenza, severe acute respiratory syndrome and swine influenza, might also result in unfavourable business operating conditions for our suppliers and customers, such as a downturn in the food and beverage retail industry, slowdown in economic growth and overall negative business sentiment. As our revenue heavily relies on the continuous and stable supply of food and beverage products and raw materials from our suppliers and sales of products to our customers, our business, results of operations and financial condition may in turn be materially and severely affected. Furthermore, the occurrence of such outbreaks of animal or communicable diseases affecting humans in Japan, Taiwan, Malaysia or other overseas countries from which we source our products or raw materials may generate public concern for food safety, influence consumers' confidence in our brand and adversely affect our reputation.

Macroeconomic factors have had and may continue to have a material adverse effect upon our business, results of operations and financial condition.

The food and beverage industry is affected by various macroeconomic factors, including changes in international, national, regional and local economic conditions, GDP growth, inflation, interest rates, availability of and access to capital markets, employment levels, disposable income level, consumer spending patterns and effects of governmental initiatives to manage economic conditions which are beyond the control of our Group. In particular, some of our Group's major customers are supermarkets, pharmacies, convenience stores and department stores in Hong Kong; any deterioration of the Hong Kong economy, decrease in disposable consumer income, fear of a recession and decrease in consumer confidence may lead to a reduction of demand for our products by our customers and materially and adversely affect our business, results of operations and financial condition. In addition, the general lack of available credit and confidence in the financial

RISK FACTORS

markets associated with any market volatility or downturn could adversely affect our access to capital as well as our suppliers' and customers' access to capital, which in turn could adversely affect our ability to fund our working capital requirements and capital expenditures. Our continued success will depend upon our ability to anticipate, identify and respond to the changing economic and other conditions in a timely manner, failing which could adversely affect our business, results of operations and financial condition.

Political and economic considerations of Hong Kong.

As Hong Kong is a special administrative region of the PRC, the PRC may, by its political and economic policies, exert influence on the foregoing aspects of Hong Kong. The PRC economy features a high degree of government involvement. In recent years, the PRC government has implemented various measures to guide the allocation of resources so as to narrow the gaps between economic developments in different regions in the country. We cannot foresee or give any assurance that the PRC government will not in the near future adopt policies that will adversely affect the political, legal and economic conditions of Hong Kong which may in turn materially affect our business.

RISKS RELATING TO THE SHARE OFFER

Termination of the Public Offer Underwriting Agreement.

Prospective investors should note that the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) are entitled to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement by giving notice in writing to us upon the occurrence of any of the events set out in "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, acts of government or orders of any courts, labour disputes, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics.

There has been no prior public market for our Shares before the Listing and the liquidity and market price of our Shares following the Listing may be volatile.

Before the Listing, there has been no public market for our Shares. The Offer Price for our Shares will be the result of negotiations between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, which may differ from the market prices of our Shares after the Listing. Following the completion of the Share Offer, the Stock Exchange will be the only market on which our Shares are listed. However, there is no assurance that the Listing will result in the development of an active and liquid public trading market for our Shares following the Listing. Following the Share Offer, our Shares may be traded on the public market below the Offer Price. The volume and price at which our Shares will be traded are affected by a number of factors, including (i) changes in senior management; (ii) changes in laws and regulations in Hong Kong; (iii) general economic conditions in Hong Kong; and (iv) market perception of our prospects. We cannot assure you that the market price of our Shares will not decline below the Offer Price.

RISK FACTORS

Investors for our Shares may experience dilution if we issue additional Shares in the future to raise funding.

We may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholder(s), the percentage ownership of the existing Shareholder(s) in our Company may be reduced, or such new securities may confer rights and privileges that take priority over those conferred by the Shares under the Share Offer. Also, if we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exert pressure on the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

There may be dilution because of the issuance of Shares pursuant to the options which may be granted under the Share Option Scheme.

We may grant share options to eligible participants under the Share Option Scheme, who may be employees, senior management and Directors. The exercise of share options under the Share Option Scheme will result in an increase in the number of Shares, and may result in a dilution to the percentage of ownership of the shareholders of our Company, the earnings per Share and net asset value per Share depending on the exercise price. Further details of the Share Option Scheme are summarised in “Statutory and General Information — Other information — 15. Share Option Scheme” in Appendix IV to this prospectus.

We cannot assure you as to whether and when we will pay dividends in the future.

During the three years ended 31 March 2015, 2016 and 2017, our Group declared dividends of approximately HK\$11.0 million, HK\$13.1 million and HK\$17.0 million, respectively. On 14 February 2018, our Company declared a dividend of HK\$15.0 million. However, we cannot assure you as to whether and when we will pay dividends in the future. Any future declarations of dividends will be proposed by our Board, and the amount of any dividend will depend on various factors such as our results of operations, financial condition and future business prospects. Please see “Financial Information — Dividend” for further details.

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

If you purchase our Shares in the Share Offer, 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 Share Offer will experience an immediate dilution in the net tangible asset value and our existing Shareholder(s) 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 we obtain additional capital in the future through equity offering.

RISK FACTORS

The interest of our Substantial Shareholders may not always coincide with the interest of our Group and those of our other Shareholders.

Upon the completion of the Share Offer, approximately 75.0% of our Shares will be held by our Substantial Shareholders. After the completion of the Share Offer, our Substantial Shareholders will continue to have significant influence over the operations and business strategies of our Group such as mergers, disposal of assets, election of Directors, and timing and amount of dividends and other distributions. There may be a conflict between our Substantial Shareholders' interests and your interests. Control by our Substantial Shareholders of a substantial percentage of our Shares may have the effect of delaying, discouraging or preventing a change in control of us, which may deprive you of opportunities to receive premiums for your Shares and may reduce the price of the Shares. If our Substantial Shareholders cause us to pursue strategic objectives that would conflict with your interests, you may also be left in a disadvantaged position.

Future sales or the expectation of a sale of Shares by our existing Shareholder(s) may have a material adverse effect on our Share price.

Future sales of a substantial number of our Shares by our existing Shareholder(s) after the Listing could materially and adversely affect market prices of our Shares prevailing from time to time. Immediately after the Listing, only a limited number of the Shares currently outstanding will be available for sales as our Substantial Shareholders are subject to a lock-up period. Please see "Underwriting — Underwriting arrangements and expenses — Public Offer — Undertakings by our Substantial Shareholders" for further details. While we are not aware of any intentions of our current Shareholder(s) to dispose of substantial amounts of their Shares upon lapse of the lock-up periods, we are not in a position to give any assurance that such disposal will not occur. Future sales of a substantial number of our Shares, or the perception that such sales may occur, could materially and adversely affect the market prices of our Shares and our ability to raise equity capital in the future. In addition, such sales may make it more difficult for our Group to issue new Shares in the future at a time and price that the Directors deem appropriate, thereby limiting our ability to raise capital.

The price of our Shares may fall before trading begins due to the time lag between pricing and trading of the Offer Shares.

The Offer Price will be determined on the Price Determination Date, which is expected to be on or around Tuesday, 6 March 2018. The Offer Shares will not commence trading on the Stock Exchange until the Listing Date, which is expected to be on Wednesday, 14 March 2018. Investors may be unable to sell or otherwise deal in our Shares during this period between the Price Determination Date and the Listing Date. Accordingly, holders of our Shares bear the risk that the prices of our Shares could fall before trading begins and may be lower than the Offer Price due to adverse market conditions or other adverse developments which may occur between the Price Determination Date and the Listing Date.

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”, “believe”, “expect”, “intend”, “may”, “ought to”, “should”, “could”, “predict”, “potential”, “continue”, “plan”, “seek”, “would”, “should” or “will”. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Purchasers of our Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and any or all of those assumptions may prove to be inaccurate and as a result, the forward-looking statements based on those assumptions may also be incorrect, and actual results may diverge significantly from such forward-looking statements. The risks and uncertainties in this regard include, but are not limited to, those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans or objectives will be achieved. We do not undertake any obligation to update these forward-looking statements, whether as a result of new information, future events or otherwise.

We cannot guarantee the accuracy of certain facts, forecasts and statistics in this prospectus.

In this prospectus, certain facts, forecasts and statistics relating to Hong Kong, its economy and the food and beverage distribution and retail industries in Hong Kong are derived from various government, official or public publications. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced and extracted from these sources, they have not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, nor any of their or our directors, affiliates, advisers, officers, employees, agents and/or representatives or any other persons or parties involved in the Share Offer. Due to possible flawed, inadequate or ineffective collection methods or discrepancies between published information and market practice and other problems, the government or official statistics referred to or contained in this prospectus relating to Hong Kong, its economy and the food and beverage distribution and retail industries in Hong Kong may be inaccurate, or may not be comparable to statistics produced for other economies. As such, we cannot assure you of the quality or reliability of such source materials and we cannot ensure that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries. We, therefore, make no representation as to the accuracy or completeness of these facts, forecasts and statistics, which may not be consistent with other information compiled within or outside Hong Kong. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

RISK FACTORS

You may experience difficulties in enforcing your shareholder rights because we are incorporated in the Cayman Islands, and the protection to minority shareholders under Cayman Islands law may be different from those under the laws of Hong Kong or other jurisdictions.

We are an exempted company incorporated in the Cayman Islands with limited liability. Cayman Islands law may in some respects differ from the laws of Hong Kong or other jurisdictions where investors may be located. Our corporate affairs are governed by our Memorandum and Articles of Association, the Cayman Companies Law and the common law of the Cayman Islands. The rights of our Shareholder(s) to take legal actions against us and our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedents in the Cayman Islands, and from English common law, which has persuasive but not binding authority on a court in the Cayman Islands. The rights of our Shareholder(s) and the fiduciary responsibilities of our Directors under the Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors may be located. In particular, the Cayman Islands has a less developed body of securities law. As a result, our Shareholder(s) may have more difficulty in protecting their interests through actions against our management, Directors or Substantial Shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions.

Investors should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer.

Prior or subsequent to the publication of this prospectus, there may be press and media coverage regarding us and the Share Offer. Such press and media coverage may include references to certain information that does not appear in, or is different from what is contained in, this prospectus, including operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media. The financial information, financial projection, valuation and other information about us contained in such unauthorised press or media coverage may not truly reflect what is disclosed in this prospectus or the actual circumstances. We do not accept any responsibility for such unauthorised press and media coverage or for the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in the press and media is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

CONTINUING CONNECTED TRANSACTIONS

We have entered into and expect to continue after the Listing certain transactions which will constitute non-exempt continuing connected transactions for our Company that are subject to the reporting, announcement and/or circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for waivers from strict compliance with the announcement and/or circular and independent Shareholders' approval requirement(s) under Rule(s) 14A.35, 14A.36 and 14A.46 of the Listing Rules in respect of such non-exempt continuing connected transactions.

The Stock Exchange has granted us waivers from strict compliance with the applicable requirement(s) under the Listing Rules as mentioned above and we will comply with the relevant requirements of Chapter 14A of the Listing Rules upon Listing. For details of such non-exempt continuing connected transactions and the relevant waivers, please see "Connected Transactions".

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

The Public Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. So far as the Share Offer is concerned, no person is authorised 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 us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors (where applicable) or any other parties involved in the Share Offer.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the related Application Forms contain the terms and conditions of the Public Offer. The Share Offer comprises the Placing and the Public Offer and is subject to, in each case, re-allocation described in “Structure and Conditions of the Share Offer” in this prospectus.

The Listing is sponsored by the Sole Sponsor and the Share Offer is managed by the Sole Global Coordinator. Subject to the terms of the Public Offer Underwriting Agreement including the determination of the Offer Price by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, the Public Offer Shares are fully underwritten by the Public Offer Underwriters and the Placing Shares are expected to be fully underwritten by the Placing Underwriters. For more information about the Underwriters and the underwriting arrangements, please see “Underwriting — Underwriting arrangements and expenses”.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be determined by an 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 Tuesday, 6 March 2018, and in any event no later than Tuesday, 13 March 2018. 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 Tuesday, 13 March 2018, the Share Offer will not proceed and will lapse.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

SELLING RESTRICTIONS

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

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue.

No part of our Company's share or loan capital is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek the listing of, or permission to deal in, our Company's share or loan capital on any other stock exchange.

SHARE REGISTRAR AND STAMP DUTY

All Shares in issue must be registered on our Company's branch register of members to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

Our Company's principal register of members will be maintained by our principal share registrar and transfer office, Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

All Offer Shares will be registered on our Company's branch register of members in Hong Kong. Only Shares registered in our Company's Hong Kong branch register of members may be traded on the Stock Exchange. Dealings in Shares registered on the register of members kept by our Hong Kong Branch Share Registrar will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our Company's 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 therein in accordance with the Articles.

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 subscribing for, purchasing, holding and dealing in our Shares. It is emphasised that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, supervisors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of holders of our Shares resulting from the subscription, purchase, holding or disposal of our Shares.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedures for applying for the Public Offer Shares are set out in "How to Apply for Public Offer Shares" and in the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in "Structure and Conditions of the Share Offer".

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Offer 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 on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

DEALINGS AND SETTLEMENT

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, 14 March 2018. Shares will be traded in board lots of 4,000 Shares each. The stock code of our Company is 1705.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Dealings in the Shares on the Stock Exchange will be effected by participants of the Stock Exchange whose bid and offer quotations will be available on the Stock Exchange's teletext page information system. Delivery and payment for Shares dealt on the Stock Exchange will be effected two trading days following the transaction date. 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. Only certificates for Shares registered in the Hong Kong branch register of members of our Company will be valid for delivery in respect of transactions effected on the Stock Exchange. If you are unsure about the procedures for dealings and settlement arrangement on the Stock Exchange on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Hong Kong nationals, entities, departments, facilities, certificates, titles, laws, regulations, natural persons or other entities (including certain of our subsidiaries) mentioned in this prospectus and their English translations, the English names shall prevail.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Chan Kam Chuen Andrew (陳錦泉)	Flat A, 19/F, Amber Garden No. 70–72 Kennedy Road Wan Chai, Hong Kong	British
Mr. Chan Siu Cheung Stephen (陳紹璋) (formerly known as Mr. Chan Siu Cheung (陳小璋))	Tower 2, 21/F, Unit H, Vista Paradiso 2 Hang Ming Street, Ma On Shan New Territories, Hong Kong	Chinese
Mr. Chau Wing Kong William (周永江)	Flat 10, 25/F, Hiu On House Hiu Kwong Street, Hiu Lai Court Sau Mau Ping, Kowloon, Hong Kong	Chinese
Ms. Tin Hau Ling Janny (田巧玲)	Flat A, 19/F, Amber Garden No. 70–72 Kennedy Road Wan Chai, Hong Kong	British
Independent non-executive Directors		
Mr. Yu Ka Ho Bernard (余家豪)	Flat B, 1/F, Greendale Court 17 Discovery Bay Road Discovery Bay, Hong Kong	Canadian
Mr. See Hung Yan Peter (施鴻仁)	Flat 606, 6/F, Block 35 Heng Fa Chuen, Chai Wan Hong Kong	British
Mr. Chung Kwok Mo John (鍾國武)	Flat E, 5/F, Tower 2, 8 Wai Yin Path Homantin Hillside, Hung Hom Kowloon, Hong Kong	Chinese

Please see “Directors and Senior Management” for details of our Directors and senior management.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Lego Corporate Finance Limited

(a corporation licenced to carry out type 6 (advising on corporate finance) regulated activity under the SFO)

Room 1601, 16/F, China Building

29 Queen's Road Central

Hong Kong

Sole Global Coordinator

Lego Securities Limited

(a corporation licenced to carry out type 1 (dealing in securities) regulated activity under the SFO)

Room 804, 8/F., Jubilee Centre

46 Gloucester Road

Wanchai, Hong Kong

Joint Bookrunners

Lego Securities Limited

(a corporation licenced to carry out type 1 (dealing in securities) regulated activity under the SFO)

Room 804, 8/F., Jubilee Centre

46 Gloucester Road

Wanchai, Hong Kong

Kingsway Financial Services Group Limited

(a corporation licenced to carry on types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities) and 9 (asset management) regulated activities under the SFO)

7/F, Tower 1, Lippo Centre

89 Queensway

Hong Kong

Joint Lead Managers

Kingsway Financial Services Group Limited

(a corporation licenced to carry on types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities) and 9 (asset management) regulated activities under the SFO)

7/F, Tower 1, Lippo Centre

89 Queensway

Hong Kong

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

(a corporation licenced to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

20/F Wing On Centre

111 Connaught Road, Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Brilliant Norton Securities Company Limited

(a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)

Shop Space No.64 G/F Blocks 7-14 City Garden
233 Electric Road, North Point
Hong Kong

Co-Managers

Canfield Securities Company Limited

(a corporation licensed to carry on type 1 (dealing in securities) regulated activity under the SFO)

Suite 7707, 77/F
The Center, 99 Queen's Road Central
Central, Hong Kong

Future Land Resources Securities Limited

(a corporation licensed to carry on type 1 (dealing in securities) regulated activity under the SFO)

6/F, Winbase Centre
208 Queen's Road Central
Central, Hong Kong

Legal advisers to our Company

As to *Hong Kong law*

Locke Lord

21/F Bank of China Tower
1 Garden Road, Central
Hong Kong

As to *Cayman Islands law*

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

As to *Hong Kong law*

Eversheds Sutherland

21/F, Gloucester Tower
The Landmark, 15 Queen's Road Central
Hong Kong

Auditor and reporting accountant

PricewaterhouseCoopers

Certified Public Accountants
22/F, Prince's Building, Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Industry consultant

Frost & Sullivan Limited

Room 1706, One Exchange Square
8 Connaught Place
Central, Hong Kong

Property valuer

International Valuation Limited

Room 1213
12/F, Houston Centre, 63 Mody Road,
Tsim Sha Tsui,
Hong Kong

Receiving bank

**Industrial and Commercial Bank of China (Asia)
Limited**

33/F, ICBC Tower
3 Garden Road
Central, Hong Kong

CORPORATE INFORMATION

Registered address	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Unit 911, 9th Floor Tai Yau Building 181 Johnston Road Wan Chai Hong Kong
Company website	www.bandshk.com (information on this website does not form part of this prospectus)
Company secretary	Mr. Tang Kwok Hay (鄧國禧) (<i>CPA, FRM</i>) Flat A, 21/F, Tower 1 La Costa 8 Po Tai Street Ma On Shan New Territories
Authorised representatives	Mr. Chan Kam Chuen Andrew (陳錦泉) Flat A, 19/F, Amber Garden No. 70–72 Kennedy Road Wan Chai Hong Kong Mr. Tang Kwok Hay (鄧國禧) Flat A, 21/F, Tower 1 La Costa 8 Po Tai Street Ma On Shan New Territories
Audit committee	Chung Kwok Mo John (<i>Chairperson</i>) Yu Ka Ho Bernard See Hung Yan Peter
Remuneration committee	Yu Ka Ho Bernard (<i>Chairperson</i>) Chung Kwok Mo John See Hung Yan Peter
Nomination committee	See Hung Yan Peter (<i>Chairperson</i>) Yu Ka Ho Bernard Chung Kwok Mo John

CORPORATE INFORMATION

Principal share registrar and transfer office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Union Registrars Limited Suites 3301-04, 33/F. Two Chinachem Exchange Square 338 King's Road North Point, Hong Kong
Compliance adviser	Lego Corporate Finance Limited
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited Level 9, HSBC Main Building 1 Queen's Road Central, Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central, Hong Kong

INDUSTRY OVERVIEW

The information that appears in this section has been prepared by Frost & Sullivan 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 Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our 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 Frost & Sullivan and set out in this section has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters or any other party involved in the Share Offer and neither they nor Frost & Sullivan give any representations as to its accuracy or correctness and accordingly it should not be relied upon in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to provide industry information on the Hong Kong food and beverage distribution industry and Hong Kong tea drinks chain market. We have agreed to pay a fee of HK\$420,000 to Frost & Sullivan for the report. Our Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the Industry Report.

In compiling and preparing the research report, Frost & Sullivan conducted primary research including telephone and face-to-face interviews with industry participants. Also, secondary research, which involved reviewing industry publications, annual reports and data based on its own database, was conducted. Frost & Sullivan presented the figures for various market size projections from historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. Frost & Sullivan assumed that (i) the social, economic and political environment is expected to remain stable and (ii) key industry drivers are likely to continue to affect the market over the forecast period from 2017 to 2021.

Our Directors confirm, after making reasonable enquiries, that there is no adverse change in the market information since the date of the Industry Report which may qualify, contradict or have an impact on the information in this section.

ABOUT FROST & SULLIVAN

Frost & Sullivan is an independent global consulting firm founded in 1961. It offers industry research, market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom. The Industry Report includes information on data for Hong Kong food and beverage distribution industry and Hong Kong tea drinks chain market.

INDUSTRY OVERVIEW

OVERVIEW OF FOOD & BEVERAGE DISTRIBUTION INDUSTRY IN HONG KONG

Introduction and Definition

The food and beverage distribution industry in Hong Kong is characterised by its active trading activities which are largely related to re-export activities i.e. exports of foreign goods (non-domestically produced). In 2016, re-export accounted for more than 90% of total exports of food and beverage. Regarding trading business, food and beverage distribution plays an important role in the industry supply chain featured by importers, wholesalers and retailers. Many food and beverages trading companies have successfully introduced overseas food and beverage products to local consumers, and also assisted smaller producers based locally and in the PRC in selling abroad.

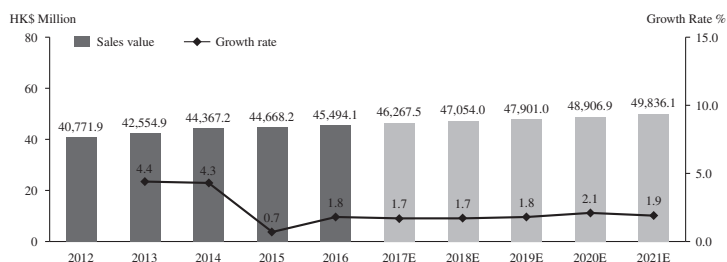
Supply Chain of Food and Beverage Industry

The food and beverage distribution industry is characterised with upstream, midstream and downstream sub-industries, with the upstream industry being the food and beverage manufacturers and brand owners who supply products to the midstream market players, being importers, exporters and wholesalers, who then resell to intermediaries or directly to downstream retailers such as supermarkets, department stores and retail stores as well as food and beverage services providers such as restaurants and hotels, etc., who will then sell to end-users who consume the products. Many distributors also offer various value-added services such as repackaging, labelling and design of point-of-sales (POS) display fixtures for their customers in order to differentiate themselves from other competitors. Meanwhile, using sub-distributors for sale of products also allows reaching out to the smaller local and overseas retailers to increase revenue.

Market Size of Food and Beverage Distribution Industry in Hong Kong

Distribution business has played an important role in the local food and beverage industry as about 95% of food and beverage products are imported from overseas due to the lack of local agricultural production and farms. Between 2012 and 2016, sales value of food and beverage distribution increased from HK\$40.8 billion to HK\$45.5 billion, growing at a CAGR of 2.8%. It is forecast that sales value will grow to HK\$49.8 billion by the end of 2021, driven by the reviving retail industry and catering industry in Hong Kong. The drop in the growth rate of sales value from 2014 to 2015 was mainly due to the overall slump in retail sales in Hong Kong during the period.

Sales Value of Food and Beverage Distribution, Hong Kong, 2012–2021E



Source: Frost & Sullivan

Notes:

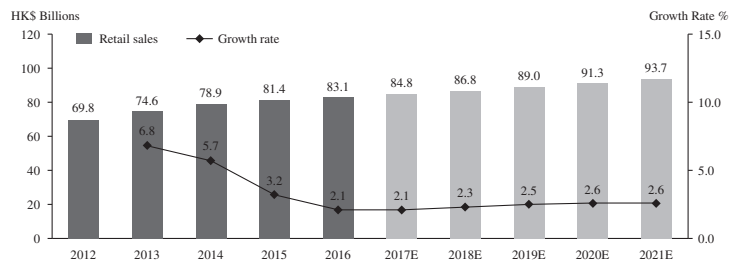
1. Sales value of food and beverage distribution here excluded retail sales value.
2. Tobacco and tobacco manufactures are excluded from the sales value of food and beverage distribution.

INDUSTRY OVERVIEW

Retail Sales of Food and Beverage Products in Hong Kong

The food and beverage retail business under the distribution industry in Hong Kong has experienced a slowdown in its growth rate since 2013 from 6.8% in 2013 to 2.1% in 2016, representing at a CAGR of 4.4% during the period. The slowdown was mainly attributable to the overall economic slowdown over the past five years resulted from the fall in the number of tourists from the PRC. The implementation of “one trip per week” permit taken place in April 2015, has also led to a contraction in the overall retail industry in Hong Kong. For the following years, it is estimated that retail sales of food and beverage products will slowly recover and reach about HK\$93.7 billion by the end of 2021, reflecting a revival in tourist arrivals and consumer spending in Hong Kong.

Retail Sales of Food and Beverage Products, Hong Kong, 2012–2021E

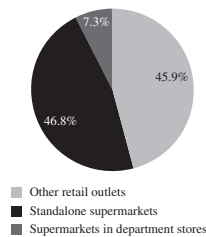


Source: Frost & Sullivan

Note: Food and beverage excludes tobacco and tobacco manufactures.

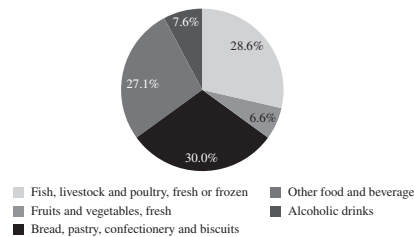
By types of retail outlets, supermarkets accounted for the majority of the total retail sales of food and beverage products in Hong Kong, with a market share of about 46.8% in 2016, followed by other retail outlets such as grocery stores (45.9%) and supermarkets in department stores (7.3%). In terms of products categories, bread, pastry, confectionery and biscuits contributed to the largest proportion of total retail sales, with a market share of approximately 30.0%, followed by fish, livestock and poultry (28.6%), and others such as rice, noodles, dairy products, eggs and non-alcoholic drinks (27.1%) in 2016.

Retail Sales Breakdown by Retail Outlets, Hong Kong, 2016



Source: Frost & Sullivan

Retail Sales Breakdown by Products, Hong Kong, 2016



Notes:

- Other retail outlets include all other types of food and beverage retailers apart from supermarkets, whether they are chains or non-chains, such as grocery stores, cakes and bakeries and pharmacies that also sell food and beverage products, etc.

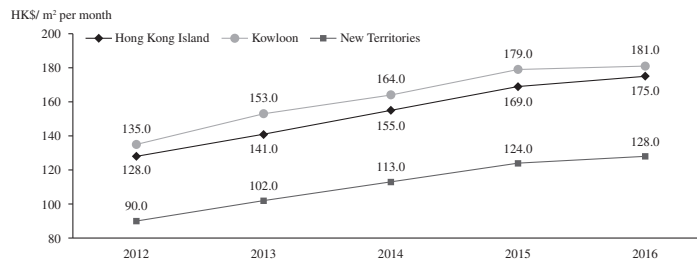
INDUSTRY OVERVIEW

2. Standalone supermarkets include convenience stores and supermarket chains but exclude supermarkets that operate in department stores, whereas supermarkets in department stores solely refer to those operate department stores.
3. Other food and beverage includes dairy products, eggs, rice, noodles and rice sticks, non-alcoholic beverages.

Cost Structure Analysis

Distribution businesses typically require large storage capacity. In Hong Kong, average rents of private flatted factories, which are usually used for warehouses, has increased rapidly between 2012 and 2016. In particular, rents in New Territories have increased the most rapidly at a CAGR of 9.2% compared to that of Kowloon (7.6%) and Hong Kong Island (8.1%). For downstream retail market players in the distribution industry such as the supermarkets, who require large retail space, are affected by the rental price of private premises in Hong Kong. For details, please see “— Average rental price of private retail premises in Hong Kong”. Increased rental costs in Hong Kong have put on pressure on distribution businesses, restricting their expansions on scale and profit margins.

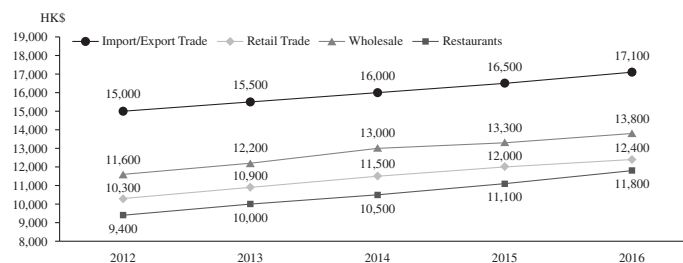
Average Rents of Private Flatted Factories, Hong Kong, 2012–2016



Source: Rating and Valuation Department of Hong Kong, Frost & Sullivan

Due to the implementation and periodic adjustments of statutory minimum wage policy since 2011, the level of wages in Hong Kong has hiked between 2012 to 2016. The catering services industry has had the fastest growth in wage level, with a CAGR of 5.8%, amongst other selected industries such as import/export trade (3.3%), wholesale (4.4%) and retail trade (4.7%), fuelled by the shortage in labour supply faced by the local services industry. The following graph illustrates the median monthly wages in the selected industries.

Median Monthly Wages in Selected Industries, Hong Kong, 2012–2016



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

Note: Labour costs of import and export trade mainly refers to logistics labour costs, including land transport.

INDUSTRY OVERVIEW

Major Market Drivers and Opportunities

- (a) *Rising consumer purchasing power:* According to Census and Statistics Department of Hong Kong, median monthly household income reached HK\$25,125 in 2016 and it is expected to grow steadily at a CAGR of 2.8% from 2017 to 2021. In addition, along with the increase in household income, consumer expenditure on food and beverages (specifically on bread, cakes, biscuits and puddings, dairy products, eggs, carbonated drinks, other non-alcoholic beverages and confectioneries categories) is growing accordingly. From 2010 to 2015, average monthly household expenditure on food and beverage products excluding dining out has increased steadily from HK\$2,163.0 to HK\$2,605.0, according to Census and Statistics Department of Hong Kong.
- (b) *Growing retailer power of supermarkets:* Supermarkets and wet markets are the major distribution channels in Hong Kong for grocery products. With an increasing number of supermarket outlets over the last decades, the wet markets have witnessed a gradual decline in consumer patronage. Two major supermarket chain operators have dominated the market with over 600 outlets (i.e. supermarket stores in Hong Kong). Partnership with major supermarkets allows food and beverage distributors to gain access to a strong and efficient distribution network and thus drives growth in market.
- (c) *Low import risk and free tariffs:* Hong Kong, as a free port, levies no customs tariff on import goods. The importation of low-risk food products to Hong Kong is relatively simple and straightforward as certain food does not require prior permission or licence. According to Census and Statistics Department of Hong Kong, food import price has experienced a decline between 2014 and 2016. With the decreasing import prices and stable increase in food and beverage expenditure, food and beverage distribution industry has reaped significant growth over the past years and is expected to continue to grow stably in the following years.

Future Market Trends and Development

- (a) *Investment in technology:* Many distributors have shifted towards implementing integrated software to exert better control over the business, such as order taking, warehouse management and human resources management to accounting. For example, the commonly used ERP system in the food and beverage distribution business is expected to remain as an industry operation standard to facilitate inventory and logistics management. Better inventory and warehouse management is expected to drive down operating costs, allowing them to expand warehouse capacity for a wider range of product offerings. In the following years, it is expected that technology plays an important role in the distribution businesses in Hong Kong.
- (b) *Increasing demand for high-quality customer services:* The capability of providing value-added and tailor-made services is increasingly crucial in the distribution businesses in Hong Kong. Value-added and customised services such as labelling, packaging, producing tailor-made point-of-sales display shelves and handling after-sales enquiries and complaints are highly valued by customers as this is not provided by many ordinary distributors.

Threats and Challenges

- (a) *Increasing operating costs:* Distribution businesses are facing increasing rental costs of warehouses and retail premises. Between 2012 and 2016, warehouse rents in New Territories have increased the most rapidly at a CAGR of 9.2% compared to that of Kowloon (7.6%) and Hong Kong Island (8.1%). The rental price of private retail premises in Hong Kong has increased at a CAGR of 0.4% from 2012 to 2016. Therefore, this has restricted the expansions of business scale and increased operational costs for distribution businesses. On the other hand, as the distribution business is highly labour intensive and service-oriented, increasing labour costs in the import/export trading, wholesaling and retail industries have laid pressure to the distribution business.
- (b) *The ease of online retailing:* Nowadays, consumers can access to almost all products and services via the internet, contributed by the online retailing and emergence of various payment platforms. Also, many food and beverage brands allow online purchases and offer fast delivery service, providing great convenience for customers. However, this somehow creates competition for traditional brick-and-mortar retailers as customers can directly purchase online rather than buying from the franchisees of these brands.

Competitive Landscape

Hong Kong is an import-dependent market with about 95% of food and beverage products imported from around the world. According to the Census and Statistics Department of Hong Kong, the local food and beverage distribution industry is highly fragmented with over 19,000 market players engaging in import/export trading (5,164), wholesaling (3,452) and retail trade (10,542) in 2015. The period between 2012 and 2015 saw a fall in the number of food and beverage retailers and a year-on-year slowdown in the growing number of import/export and wholesale establishments. Therefore, it is estimated that the number of establishments in the distribution industry will continue to drop in 2016 to about 18,400 players, due to market consolidation, leaving the industry with relatively scalable market players. The number of food and beverage distributors (import/export trading and wholesalers) excluding retailers is estimated to account for about 47.1% of the total number of market players in 2016, with approximately over 8,000 market players regardless of their product categories.

As the market is highly fragmented and each market player distributes a different range of food and beverage products where some supply fresh food while others distribute dried food and snacks, it is expected that major market players share a very similar market share in the industry and it is estimated that total revenue of the top five market players is very unlikely to exceed 15% of the total market revenue in 2016. Therefore, there is no single market leader dominating the market in general.

For the year ended 31 March 2017, our Group accounted for approximately 0.5% of the food and beverage distribution market (excluding retail trade) with sales revenue of HK\$243.1 million and approximately 0.2% of the food and beverage retail trade market with a sales revenue of HK\$124.9 million in Hong Kong.

INDUSTRY OVERVIEW

Entry Barriers

- (a) *Wide product portfolio:* One of the entry barriers for new market entrants into the food and beverage distribution industry is concerned with the ability to offer a wide range of food and beverage products for customers. Given that consumer taste and preferences are constantly changing, food and beverage distributors have to update their product offerings to cater customer needs. An extensive product portfolio requires food and beverage distributors to have established business relationship with local and overseas suppliers, sensitivity and prompt response to market trends, which usually take time to build up.
- (b) *High capital requirement:* Food and beverage distribution business requires significant space for inventory storage and logistics operation and/or retailing, which incur a large amount of up front capital investment on warehouse and retail premise rentals, trunks and lifting machines for transportation of inventory. In addition, distribution business is highly labour intensive as it requires manpower for logistics and inventory management and sales, despite the increasing use of machinery and information technology recently. Given that rents and wages in Hong Kong have been increasing from 2012 to 2016, it is considered one of the major entry barriers for new market entrants in Hong Kong.
- (c) *Extensive sales network:* Apart from the required initial capital and the ability to offer a wide range of food and beverage products, having secured and sustained sales channels is one of the challenges for new market entrants into the food and beverage distribution industry. Upstream and midstream market players are required to have good business relationship with the downstream customers such as supermarkets, convenience store and other types of retail outlets in order to secure sales. Downstream players are typically looking for distributors with good company reputation, inventory management efficiency and quality of services.

OVERVIEW OF TEA DRINKS CHAIN MARKET IN HONG KONG

Introduction and Definition

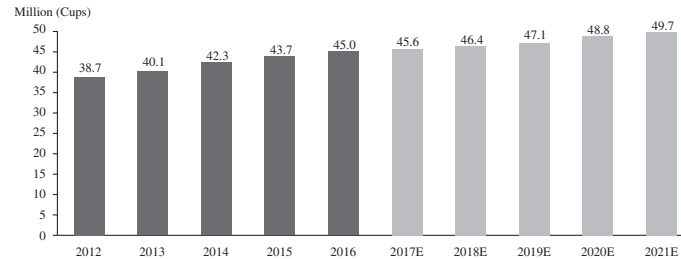
- (a) Tea is a drink that is brewed from dried crushed leaves of the tea plant.
- (b) Tea drinks are drinks that combined tea with other ingredients such as milk, fruit, syrup, tapioca pearl, aloe, grass jelly, etc. in which bubble milk tea containing tapioca pearl and milk is one of the favourable drinks today.
- (c) Tea drinks shops are establishments that mainly serve tea drinks and other related drinks. It is also common for tea drinks shops to serve light refreshments such as tea eggs or ice cream. Tea drinks shop is classified as a type of beverage serving place.
- (d) Beverage serving place is a segment within the catering industry, and refers to establishment that the main revenue stream is generated from selling beverages.
- (e) Tea drinks chain refers to more than one tea drinks retail store under the same brand name and have a standardised management methods and practices. The shops may be self-operated by a brand owner, or franchised to their franchisees.

INDUSTRY OVERVIEW

Annual Consumption Volume of Tea Drinks in Hong Kong

Due to the increasing popularity of tea drinks and the broadening of tea products offerings in Hong Kong, the consumption of tea drinks in Hong Kong has seen a growth of a CAGR of 3.8% from 2012 to 2016, increasing from 38.7 million cups to 45.0 million cups per year. The consumption volume of tea drinks is expected to grow at a stable rate of CAGR 2.2%, reaching 49.7 million cups in 2021.

Annual Consumption of Tea Drinks in Hong Kong by Number of Cups, 2012–2021E



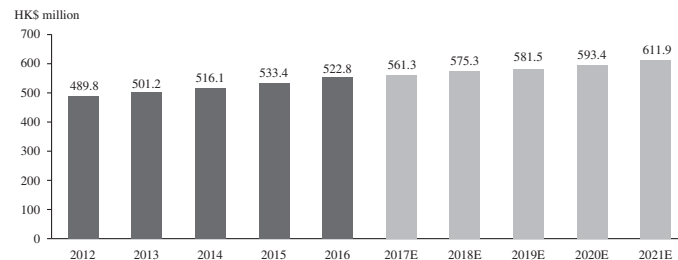
Source: Frost & Sullivan

Note: Tea drinks consumption includes those that are bought from tea drinks chains and non-chain stores.

Market Size of Tea Drinks Chain Market in Hong Kong

The tea drinks chain market size has seen a healthy growth from HK\$489.8 million in 2012 to HK\$552.8 million in 2016 at a CAGR of 3.1%. The increase is predominantly due to the robust expansion of various tea drinks chain brands. In 2016, revenue generated from tea drinks chain stores accounted for approximately 53.6% of the overall tea drinks market (including both chain and non-chain) in Hong Kong as consumers tend to buy tea drinks from specialist tea drinks shops when it comes to standalone purchases. As the tea drinks chain market approaches the mature stage in the industry life cycle, further consolidation activities between players are expected to be seen in the next five years. The market size of tea drinks chain is therefore estimated to grow at a slower CAGR of 2.2%, rising from HK\$561.3 million in 2017 to HK\$611.9 million in 2021.

Market Size of Tea Drinks Chain Market in Hong Kong by Retail Sales, 2012–2021E



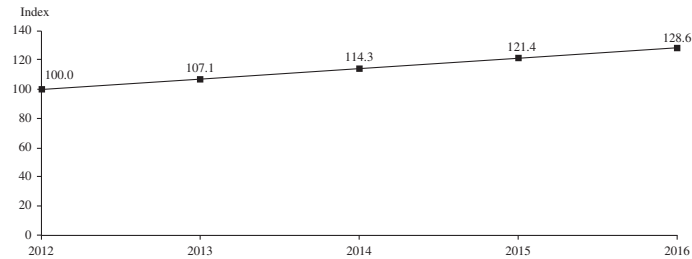
Source: Frost & Sullivan

INDUSTRY OVERVIEW

Retail Price Index of Tea Drinks in Hong Kong

The retail price index of tea drinks in Hong Kong has gone up from 100.0 in 2012 to 128.6 in 2016, representing a CAGR of 6.5%. The robust growth is attributable to the increase in operating cost, including the rise of retail premises rental, employees' wages, and cost of import tea leaves.

Retail Price Index of Tea Drinks in Hong Kong, 2012–2016

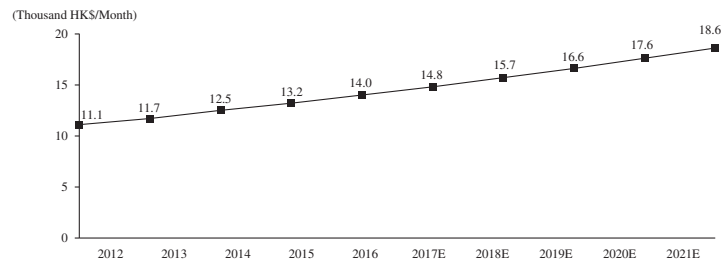


Source: Frost & Sullivan

Cost Structure Analysis

The average monthly salary of employees engaging in catering industry has climbed up from HK\$11,100 in 2012 to HK\$14,000 in 2016, representing a CAGR of 6.0%. With the increasing challenge in acquiring skilled labour in the catering industry, the average monthly salary of employees is expected to continue rising at a steady CAGR of 5.8%, reaching HK\$18,600 in 2021.

Average monthly salary of employees in catering industry in Hong Kong, 2012–2021E

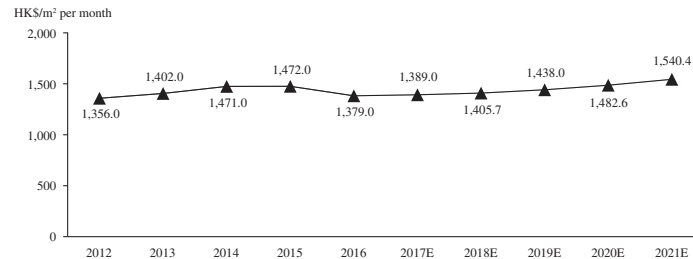


Source: Census and Statistics Department of Hong Kong, Frost & Sullivan

INDUSTRY OVERVIEW

The rental price of private retail premises in Hong Kong has increased at a CAGR of 0.4%, from HK\$1,356.0 per sq.m. per month in 2012 to HK\$1,379.0 per sq.m. per month in 2016. The drop in 2016 was mainly due to the collapse in overall retail sales which affected the demand for renting retail shops. With the limited supply of land, the rental price of private retail premises is expected to further increase at a CAGR of 2.6% from HK\$1,389.0 per sq.m. per month in 2017 to HK\$1,540.4 per sq.m. per month in 2021.

Average rental price of private retail premises in Hong Kong, 2012–2021E



Source: Rating and Valuation Department of Hong Kong, Frost & Sullivan

Major Market Drivers and Opportunities

- (a) *Rising trend for tea drinks:* Tea drinks is originated from Taiwan, and entered the Hong Kong market in the 1990s. It has since then become a trendy beverage for consumers at all ages. Tea drinks chain operators tend to constantly bring new drinks into their menu to spur the trend and retain consumers for repeat consumption. Therefore, tea drinks chain operators' ability to constantly broaden their product portfolio to cater different needs has been one of the main drivers for the tea drinks market in Hong Kong.
- (b) *The need for flexibility and convenience:* Diners in Hong Kong tend to look for light, fresh and healthy meals with a great flexibility. Tea drinks chain shops adopts the grab-and-go style allowing consumers to obtain freshly brewed tea with a great flexibility and convenience to cope with the fast-paced living style, which is perceived as more value-adding by consumers in comparison to preserved and packaged drinks.
- (c) *High adaptability with different ingredients:* Tea can be easily combined with various kinds of ingredients such as fruit, milk, cream, and toppings like tapioca pearl, aloe, and grass jelly. The highly adaptable nature of tea allows tea drinks chain operators to capture a broad array of target customers by offering a wide selection of options where consumers can easily select a drink that suits their preferences.

Future Market Trends and Development

- (a) *Healthy living:* Consumers in Hong Kong are becoming more aware of their daily food and drinks intake. It is therefore seen that tea outlets are looking to offer healthier drinks to consumers by incorporating fresh ingredients for toppings, and utilise organic condiments to mix into the drinks. Despite the cost for healthier drinks may be reflected in the price increase of the drinks, consumers in Hong Kong are willing to spend extra in order to purchase a healthier drink that could quench their thirst while consuming fresh and healthy ingredients.

INDUSTRY OVERVIEW

- (b) *Market concentration:* The increasing popularity and demand of bubble tea in Hong Kong attracted several overseas tea drinks brand to open up more outlets in Hong Kong during the past five years. However, consumers are quick to develop their preferences with their tea drinks and their preferable brands. Therefore, the expansion of tea drinks brands begin to slow down and some brands begin to shut down the less profitable outlets in Hong Kong. As the trend continues, the tea drinks market is becoming more concentrated in Hong Kong, with several brands taking up bigger share of the market as they successfully established their brand recognition among consumers.

Threats and Challenges

- (a) *Pressure from rental and labour costs:* The cost of operating a drink serving establishment in Hong Kong is continuously increasing. From 2012 to 2016, the average monthly salary of employees in the catering industry and the average rental price of private retail premises in Hong Kong has increased at a CAGR of 6.0% and 0.4%, respectively. The rising operating cost translates into intensifying financial burden to the operators.
- (b) *Low entry barriers:* The competition within the tea drinks serving industry is increasingly fierce because of the relatively lower entry barrier comparing to other industries. It is seen that there is a growing amount of new brands' presence in Hong Kong with limited product differentiation. Tea drinks operators will therefore need to spend more effort on product offering and marketing to attract consumers.

Competitive Landscape

The tea drinks chain market in Hong Kong is highly concentrated. As at 31 October 2017, there are more than 500 tea drinks retail outlets, including both chain stores and non-chain stores, in which there are approximately ten major chain brands of various scales in Hong Kong. The top three chain brands accounted for approximately 62.4% of the total revenue generated in the tea drinks chain market in Hong Kong. Tea drinks chain operators mainly compete with (i) brand reputation; (ii) quality and variety of drinks; (iii) price; (iv) location; (v) number of branches; and (vi) operation efficiency. As the tea drinks chain market approaches the mature stage in the industry life cycle where the techniques of tea drinks making are fairly mature and there is slowed down but significant growth stimulated by continued emergence of a wider product portfolio, further consolidation activities between players are expected to be seen in the next five years, thus the concentration level is expected to continue to increase. The Group has recorded sales revenue of HK\$134.6 million in tea drinks for the period from 1 November 2016 to 31 October 2017, becoming the market leader with a market share of approximately 24.3% in the tea drinks chain market in Hong Kong as at 31 October 2017, followed by competitor A (22.2%) and competitor B (15.9%).

INDUSTRY OVERVIEW

Top 3 Tea Drinks Chain Brands in Hong Kong (1 November 2016–31 October 2017)

<u>Rank</u>	<u>Company</u>	<u>Number of stores</u>	<u>Sales revenue</u> <i>(HK\$ million)</i>	<u>Market share</u>	<u>Average sales per store</u> <i>(HK\$ million)</i>
1	The Group	29	134.6	24.3%	4.6
2	Competitor A	35	122.5	22.2%	3.5
3	Competitor B	32	<u>87.7</u>	<u>15.9%</u>	2.7
		Top 3 Total	<u>344.8</u>	<u>62.4%</u>	

Source: Frost & Sullivan

Note: Sales revenue is only concerned with revenue generated from selling tea drinks excluding tea leaves products and tea wares.

Entry Barriers

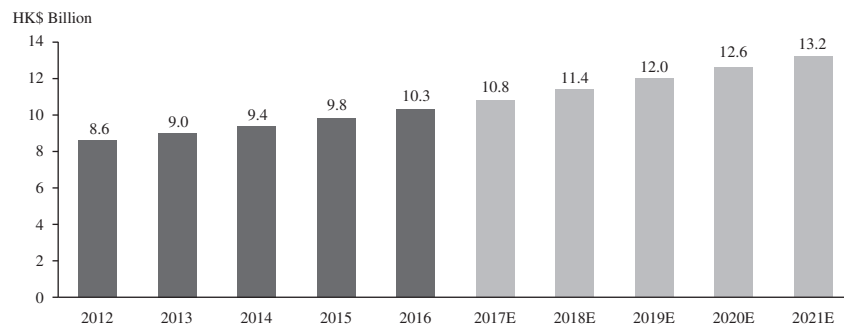
- (a) *Licensing requirement:* The tea drinks chain market is strictly regulated in Hong Kong due to food safety issues. Operators will need to obtain several licenses to legally operate establishments such as the Light Refreshment Restaurant License and the Food Factory License from the FEHD. New entrants are therefore expected to pay effort into meeting the regulatory requirements and going through the application process of licensing.
- (b) *Business connection:* New market entrants will need to establish strong business relationships with stakeholders across the entire supply chain. For instance, the relationship with raw material suppliers is particularly vital as it directly affects the profit margin and the sustainability of the business. However, new market entrants usually lack the necessary business connections to succeed in the tea drink chain market, which is considered as one of the major entry barriers in Hong Kong.

INDUSTRY OVERVIEW

INTRODUCTION OF RAMEN INDUSTRY IN HONG KONG

Ramen is defined as a Japanese dish that consists of wheat noodles, meat or fish based broth, and toppings like sliced pork, soft boiled egg, dried seaweed etc. Ramen shops are defined as restaurant establishments that predominantly generate its revenue from serving ramen. It is also common for ramen shops to sell other related food like fried dumplings, fried chicken, and dessert. The market size of Japanese cuisine catering industry in Hong Kong experienced a moderate growth from HK\$8.6 billion in 2012 to HK\$10.3 billion in 2016, representing a CAGR of 4.6%. Due to raising popularity of Japanese cuisine among Hong Kong citizens, the sales revenue of Japanese cuisine catering industry in Hong Kong is estimated to reach HK\$13.2 billion in 2021, growing at a CAGR of 5.1% from 2017 to 2021. The consumer preference is shifting towards a more health conscious attitude towards the ingredients and the soup-base of Japanese ramen. Thus, it is expected that ramen with healthier ingredient and condiments (e.g. less salty and greasy soup base) will continue to gain more popularity in the coming years. The soup base of Jiu Tang Wu ramen is less salty and greasy compared to the traditional Japanese ramen.

Sales revenue of Japanese cuisine catering industry in Hong Kong, 2012–2021E



Source: Frost & Sullivan

OVERVIEW

During the Track Record Period, the business of our Group was based in Hong Kong, therefore we were subject to the relevant laws and regulations of Hong Kong. This section summarises the major aspects of the principal laws, rules and regulations that are directly relevant and material to our operations in Hong Kong.

FOOD AND ENVIRONMENTAL LICENCES

1. 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 “**PHO**”) and the relevant sub-legislation thereunder. The PHO 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 we conduct the Distribution Business and the Retail Business in Hong Kong, we are subject to the regulations of the PHO.

Section 50 of the PHO prohibits the manufacturing, advertising and sale in Hong Kong of food or drugs that are injurious to health. Anyone who fails to comply with the said section commits an offence which carries a maximum penalty of HK\$10,000 and three months’ imprisonment. Section 52 of the PHO provides that, subject to the defences in section 53 of the PHO, 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 three months’ imprisonment.

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

Section 61 of the PHO provides that it shall be an offence for any person who gives with any food or drug sold by him or displays with any food or drug exposed for sale by him 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 a 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.

The Food and Environmental Hygiene Department (the “**FEHD**”) is responsible for the enforcement of the PHO and the relevant sub-legislation thereunder. It may take samples of all kinds of food products at their points of entry to Hong Kong and may prohibit or restrict importation of food products. It also has the power to examine any food which is intended for human consumption, and seize and remove such food or its packaging if it appears that such food is unfit for human consumption.

(a) *Types of licences*

Light refreshment restaurant licence

Any person operating a restaurant selling only light refreshments in Hong Kong is required to obtain a light refreshment licence from the FEHD under the PHO and the Food Business Regulation (Chapter 132X of the Laws of Hong Kong) (the “**FBR**”) before commencing the relevant business.

It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffer to be carried on any restaurant business except with a restaurant licence. The FEHD will consider whether certain requirements in respect of health, hygiene, ventilation, gas safety, building structure and means of escape are met before issuing a restaurant licence. The FEHD will also consult the Buildings Department and the Fire Services Department in accessing the suitability of premises for use as a restaurant, and the fulfilment of the Buildings Department’s structural standard and the Fire Services Department’s fire safety requirement are considered. The FEHD may grant provisional light refreshment restaurant licences to new applicants who have fulfilled the basic requirements in accordance with the FBR pending fulfilment of all outstanding requirements for the issue of a full light refreshment restaurant licence.

Food factory licence

Section 31(1) of the FBR also provides that no person shall carry on or cause, permit or suffer to be carried on any food factory business except under and in accordance with a food factory licence, which is required for the food business involving the preparation of food for sale for human consumption off the premises, but does not include a frozen confection factory (for the manufacturing of ice cream etc.), a milk factory (for the manufacturing of reconstituted milk drinks etc.) or any business carried on by a licenced hawker. The operation of a take-away food shop is amongst the numerous more common food preparation and manufacturing trades in Hong Kong which requires a food factory licence granted by the FEHD before commencement of business. In assessing the suitability of the premises for use as a food factory, the FEHD will ensure the relevant requirements have been complied with before a food factory licence is issued. The FEHD will also consult the Fire Services Department and the other Hong Kong government departments concerned for comments as appropriate.

Frozen confection factory licence

Section 5 of the Frozen Confections Regulation (Cap. 132AC of the Laws of Hong Kong) (the “**FCR**”) provides that no person shall not sell, or offer or expose for sales, for human consumption, or possess for sales for human consumption any frozen confection (such as ice cream, soft ice cream and popsicles) except under and in accordance with a frozen confection factory licence. Section 17(1) of the FCR also provides that no person shall not manufacture any frozen confection or cause any frozen confection to be manufactured except under and in accordance with a frozen confection factory licence. In assessing the suitability of the premises for use as a frozen confection

factory, the FEHD will ensure the relevant requirements have been complied with before a frozen confection factory licence is issued. The FEHD will also consult other Hong Kong government departments concerned for comments as appropriate.

(b) Grant and validity of licences

The FEHD may grant a provisional light refreshment restaurant licence/food factory licence/frozen confection factory licence to an applicant who has met the relevant requirements for the issue of provisional licence, pending the issue of a full licence when the other outstanding requirements are complied with. A provisional licence shall be valid for a period of six months, and may be renewed on one occasion for a period of not exceeding six months at the absolute discretion of the FEHD. A full light refreshment restaurant licence/food factory licence/frozen confection factory licence shall be valid for a period of 12 months and renewable annually. Both the provisional and full licences are subject to payment of the respective prescribed fees and the continuing compliance with the relevant requirements under applicable legislation and regulations.

(c) Penalty

In respect of the light refreshment restaurant licence/food factory licence, section 35 of the FBR provides that any person who is in contravention of section 31(1) of the FBR shall be guilty of an offence. The maximum penalty is a fine of HK\$50,000 (together with a daily fine of HK\$900 where it is a continuing offence) and imprisonment for six months.

With regard to the frozen confection factory licence, section 41 of the FCR provides that any person who contravenes section 5 and 17(1) of the FCR shall be guilty of an offence. The maximum penalty is a fine of HK\$50,000 (together with a daily fine of HK\$900 where it is a continuing offence) and imprisonment for six months.

Demerit Points System

In addition, the demerit points system is a penalty system operated by the FEHD to sanction food businesses for repeated violations of relevant hygiene and food safety legislation. Under the system:

- (a) if within a period of 12 months, a total of 15 demerit points or more have been registered against a licensee in respect of any licenced premises, the licence in respect of such licenced premises will be subject to suspension for seven days (the “**First Suspension**”);
- (b) if, within a period of 12 months from the date of the last offence leading to the First Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licenced premises, the licence will be subject to suspension for 14 days (the “**Second Suspension**”);

- (c) thereafter, if within a period of 12 months from the date of the last offence leading to the Second Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licenced premises, the licence will be subject to cancellation;
- (d) for multiple offences found during any single inspection, the total number of demerit points registered against the licence will be the sum of the demerit points for each of the offences;
- (e) the prescribed demerit points for a particular offence will be doubled and trebled if the same offence is committed for the second and the third time within a period of 12 months; and
- (f) any alleged offence pending, that is the subject of a hearing and not yet taken into account when a licence is suspended, will be carried over for consideration of a subsequent suspension if the licensee is subsequently found to have violated the relevant hygiene and food safety legislation upon the conclusion of the hearing at a later date.

FOOD SAFETY AND IMPORT

2. Food Safety Ordinance and the Guide to Import of Food into Hong Kong

Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong) (the “**FSO**”) 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 our Group engages in Distribution Business as a distributor and the importation of some of our food products as a food importer, our Group is subject to the relevant regulations of the FSO.

(a) Registration as food importer or distributor

Sections 4 and 5 of the FSO require any person who carries on a food importation business or food distribution business to register with the FEHD as a food importer or food distributor. The Guide to Import of Food into Hong Kong issued by the FEHD also states that food importers and distributors are required to register with the Director of Food and Environmental Hygiene as food importers/distributors.

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 six months.

Our Group has registered as a food importer or food distributor under the FSO. Please see “Business — Licences, certificates and registrations — Distribution Business” for details.

(b) Record-keeping requirement relating to movement of food

Section 24 of the FSO 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: (i) the date the food was supplied; (ii) the name and contact details of the person to whom the food was supplied; (iii) the total quantity of the food; and (iv) a description of the food. Such record must be made under the said 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 three months.

FEHD has power to revoke a registration under circumstances such as when the registered food importer/food distributor has repeatedly contravened the FSO in respect of that business in the previous 12 months. FEHD relies on the Demerit Points System (as mentioned in “— Food and environmental licences — 1. Public Health and Municipal Services Ordinance — (c) Penalty — Demerit points system” above) to exercise its power to revoke a registration under section 14 of the FSO. If a registered food importer/food distributor is convicted of any offence prohibited by the FSO in respect of its business, a specified number of demerit points will be assigned and entered against its registration. Upon conviction of the offences, these points will be recorded according to the date of the offence and not the date of conviction. The specified demerit points for a particular offence will be doubled, trebled and quadrupled respectively if the same offence is committed for the second, the third and the fourth time within a period of 12 months. If the registered food importer/food distributor accumulates 20 points or more within a period of 12 months, its registration may be revoked.

3. Imported Game, Meat, Poultry and Eggs Regulations and the Guide to Import of Game, Meat, Poultry and Eggs

Our Group imported fresh eggs into Hong Kong for the Distribution Business during the Track Record Period, we were therefore subject to the Imported Game, Meat, Poultry and Eggs Regulations (Chapter 132AK of the Laws of Hong Kong) (the “**IGMPER**”), which are under the PHO, in respect of imported eggs.

Regulation 4(1)(ab) of the IGMPER states that no person shall import eggs into Hong Kong, among others, without a health certificate issued by an issuing entity of the place origin of the eggs, showing that the eggs to which it relates were inspected, found to be fit for human consumption and packed under sanitary conditions, and without having obtained permission in writing of a health officer of the FEHD. Under Regulation 4(2A) of the IGMPER, the health officer may only give permission for import of eggs if the person has provided the following information to the officer as he may require: (i) the type and quantity of the eggs to be imported; (ii) the expected date of arrival of the eggs in Hong Kong; (iii) the means of transport used for the import of the eggs; (iv) if the eggs are containerized, (v) the container number; as well as (vi) any other information the officer considers essential for tracing the eggs imported.

Under Regulation 7 of the IGMPER, any person who imports eggs otherwise than in accordance with Regulation 4 commits an offence and shall be liable on conviction to a fine of HK\$50,000 and to imprisonment for six months.

Under the Guide to Import of Game, Meat, Poultry and Eggs into Hong Kong issued by the FEHD, if importers wish to import eggs from a country/place where the issuing entity responsible for issuing health certificates is yet to be recognised as an issuing entity, they should ask the relevant issuing entity or government to apply to the FEHD in writing and provide information such as the animal disease situation, the legislation governing hygienic standards of eggs, the location of processing plants and facilities for handling, processing, production, storage and transport of eggs, a sample of the official veterinary and health certificate, etc.

4. Consumer Goods Safety Ordinance

As our food and beverage products are consumer goods ordinarily supplied for private use or consumption, we are subject to the Consumer Goods Safety Ordinance (the “**CGSO**”) (Chapter 456 of the Laws of Hong Kong). The CGSO imposes a duty on manufacturers, importers and suppliers of consumer goods to ensure that their consumer goods are safe. Under section 6 of the CGSO, a person shall not supply, manufacture, or import consumer goods unless the consumer goods comply with the general safety requirement of consumer goods as provided by the CGSO or with the applicable approved safety standard for the particular consumer goods.

The Commissioner of Customs and Excise is empowered to serve, among others, prohibition and recall notice. If the Commissioner reasonably believes the consumer goods is non-compliant with the safety standard or approved standard or safety specification, the Commissioner may prohibit the person to supply consumer goods for a specified period not exceeding six months by serving a prohibition notice. The Commissioner may also serve a recall notice requiring the immediate withdrawal of any consumer goods or products if there is significant risk that the consumer goods will cause serious injury and do not comply with an approved standard or safety standard or specification established by regulation.

Any person who contravenes section 6 of the CGSO, or is served with a notice mentioned above and fails or refuses to comply with such notice, commits an offence under the CGSO, which shall be punishable (i) on first conviction, to a fine of HK\$100,000 and to imprisonment for one year; and (ii) on subsequent conviction, to a fine of HK\$500,000 and to imprisonment for two years, and in addition, to a fine of HK\$1,000 for each day of default as this is a continuing offence.

5. Import and Export (Registration) Regulations

Regulations 4 and 5 of the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) (the “**IAE Registration Regulations**”) 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.

THE LAWS AND REGULATIONS RELATING TO THE INDUSTRY

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 (i) a fine of HK\$1,000 upon summary conviction; and (ii) 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 different total values of articles specified in an import or export declaration and different time period of late lodgment of an import declaration.

FOOD LABELLING AND DESCRIPTION

6. Food and Drugs (Composition and Labelling) Regulations

The Food and Drugs (Composition and Labelling) Regulations (Chapter 132W of the Laws of Hong Kong) (the “FDR”), which are under the PHO, contains provisions for the advertising and labelling of food.

Regulation 3 of the FDR provides that the manufacturing of foods and drugs shall be up to the standards as specified under schedule 1 of the FDR. 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 FDR commits an offence and is liable to a fine of HK\$50,000 and to imprisonment for six months.

Regulation 4A of the FDR requires all pre-packaged food sold (except for those listed in schedule 4 to the FDR) to be marked and labelled in the manner prescribed in schedule 3 to the FDR. Schedule 3 to the FDR contains labelling requirements in respect of stating (i) the product’s name or designation, (ii) list of ingredients, (iii) “best before” or “use by” date, (iv) special conditions for storage or instructions for use, (v) manufacturer’s or packer’s name and address, and (vi) count, weight or volume. Additionally, the said schedule also includes requirements on the appropriate language or languages for marking or labelling pre-packaged food. Contravention of those requirements may result in a conviction carrying a maximum penalty of HK\$50,000 and six months’ imprisonment.

In accordance with Regulation 4B of the FDR, generally pre-packaged food shall also be marked or labelled with its energy value and nutrient content in the manner prescribed in part 1 of schedule 5 to the FDR, and nutrition claims, if any, made on the label of, or in any advertisement for, a prepackaged food shall comply with part 2 of schedule 5 to FDR. Contravention of those requirements may result in a conviction carrying a maximum penalty of HK\$50,000 and six months’ imprisonment.

7. Trade Description Ordinance

Food products sold in Hong Kong are subject to the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (the “**TDO**”). The TDO has been amended in July 2013 to expand the scope of certain provisions, including the prohibition of false trade description in respect of goods and services in the course of trade, prohibition on certain unfair trade practices and the introduction of a civil, compliance-based enforcement mechanism.

Section 2 of the TDO provides that a trade description (including fitness for purpose, performance and manufacturing details) which is false to a material degree; or though not false, is misleading, that is to say, likely to be taken for a trade description of a kind that would be false to a material degree, would be regarded as false trade description.

Section 7 of the TDO provides that it is an offence for any person, in the course of his trade or business, to apply a false trade description to any goods; or supply or offer to supply any goods to which a false trade description is applied. It is also an offence for any person to have in his possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied.

To amount to a false trade description, the falsity of the trade descriptions has to be to a material degree. Trivial errors or discrepancies in trade descriptions would not constitute an offence. What constitutes a material degree will vary with the facts.

Contravention of the prohibitions in the TDO is an offence, with a maximum penalty of up to HK\$500,000 and five years’ imprisonment. However, the TDO also provides regulators with the ability to accept (and publish) written undertakings from businesses and individuals not to continue, repeat or engage in unfair trade practices in return of which regulators will not commence or continue investigations or proceedings relating to that matter. Regulators will also be empowered to seek an injunction against businesses and persons engaging in unfair trade practices or who have breached their undertakings.

HISTORY AND DEVELOPMENT

Introduction

The business of our Group can be traced back to 1990 when we originally engaged in toy distribution business and worked with overseas toy brand owners and toy retailers in Hong Kong under the trade name of “B & S Company (賓仕洋行)”. Our Group was founded and first started trading toys in 1990. In 1996, our Group saw the higher growth potentials in the food and beverage industry in Hong Kong and began to distribute and market candy toy products (e.g. battery-powered spinning lollipops with cartoon characters), and began to develop working relationships with customers, which led to the significant expansion of our Distribution Business. In the same year, our Group began to distribute and sell confectionery, leading to a business repositioning of us in the food industry. Since then, our Group continuously developed the Distribution Business, expanding the product categories to include sweets and candies, biscuits, cakes and pastries, instant drink powders, dried meat products, tea leaves, pasta, fresh eggs, condiments and other food and beverage products sourced from suppliers from more than 15 countries overseas.

In 2012, we enlarged the scale and breadth of our business with the addition of an emerging and fast-growing business segment, i.e. the Retail Business, by introducing the “TenRen (天仁茗茶)” 天仁茗茶 brand into the Hong Kong market and opened the first retail outlet of “TenRen (天仁茗茶)” 天仁茗茶 in Causeway Bay, Hong Kong. Our Retail Business grew exponentially under a self-operated model only in a few years and as at the Latest Practicable Date, we operated 32 “TenRen (天仁茗茶)” 天仁茗茶 retail outlets in various commercial and residential districts in Hong Kong. In addition, as at the Latest Practicable Date, we operated three “Uncle Tetsu (徹思叔叔)” 徹思叔叔 retail outlets, three “Hotel Chocolat” 酒店巧克力 retail outlets, two “Jiu Tang Wu (九湯屋)” 九湯屋 retail outlets, one retail outlet for a Taiwanese candy brand, one retail outlet which sold Taiwanese confectionery products and one retail outlet which sold Taiwanese street food, respectively.

For further details of our business, please see “Business”.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Major milestones of our Group

Our major business development and achievements are set forth below:

<u>Milestone month/year</u>	<u>Event</u>
February 1990	Mr. Stephen Chan founded B & S Company ^(Note) , which focused on toy trading business
August 1996	Commenced candy toy product business and confectionery business leading to a business repositioning of us in the food industry
August 1996	Established National Jade, which focuses on the Distribution Business with customers, including trading companies, local snack stores and grocery stores as at the Latest Practicable Date
February 1999	Commenced the introduction of the “UHA (味覺糖)”  brand and its candy and confectionery products into Hong Kong
March 2000	Commenced the introduction of Taiwanese brands, including “Hsin Tung Yang (新東陽)”  into Hong Kong
January 2003	Established Saw Corporation, which focuses on the Distribution Business with customers being some of the largest retailers in Hong Kong, including supermarket and pharmacy store chains as at the Latest Practicable Date
March 2004	Established Wise Fine, which focuses on the Distribution Business with several large convenience store chains and department stores as at the Latest Practicable Date
April 2011	Commenced the introduction of the “Chek Hup (澤合)”  brand into Hong Kong
August 2012	Commenced the Retail Business and opened the first “TenRen (天仁茗茶)”  retail outlet in Causeway Bay, Hong Kong
December 2015	Opened the first “Uncle Tetsu (徹思叔叔)”  retail outlet in Causeway Bay, Hong Kong

Note: B & S Company, initially a sole proprietorship owned by Mr. Stephen Chan in 1990 which was subsequently transformed to a partnership owned by Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau in 1991, was voluntarily dissolved in 2007 and is therefore not included in our Group and our current business. Our Directors confirm that the voluntary dissolution of B & S Company was due to the existing similar company names at that time, resulting in the failure to register B & S Company as a limited liability company with the Companies Registry in Hong Kong. Notwithstanding the aforesaid dissolution, the business of our Group is continued to be operated under the trade name of “B & S Company (賓仕洋行)” through the other operating subsidiaries now comprising our Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

<u>Milestone month/year</u>	<u>Event</u>
April 2017	Opened the first “Hotel Chocolat”  retail outlet in Causeway Bay, Hong Kong
June 2017	Established Sunny Land, which focuses on the Distribution Business with customers being some of the largest retailers in Hong Kong, including convenience store chains as at the Latest Practicable Date
October 2017	Opened the first “Jiu Tang Wu (九湯屋)”  retail outlet in Yuen Long, Hong Kong

CORPORATE DEVELOPMENT

Our corporate history

Members of our Group are set out below:

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 August 2017 with an authorised share capital of HK\$390,000 divided into 39,000,000 Shares with a par value of HK\$0.01 each. Following completion of our Reorganisation, we have five subsidiaries, namely, Bands Investment, Wise Fine, Saw Corporation, Sunny Land and National Jade; and our Company became the holding company of our Group and we conduct our business through Wise Fine, Saw Corporation, Sunny Land and National Jade.

As at the Latest Practicable Date, our Company was owned as to 33.33%, 33.33% and 33.33% by ACAC Investment (a BVI company wholly and beneficially owned by Mr. Andrew Chan), SCSC Holdings (a BVI company wholly and beneficially owned by Mr. Stephen Chan) and CCST Investment (a BVI company wholly and beneficially owned by Mr. William Chau), respectively. Immediately upon completion of the Share Offer, the interests of ACAC Investment, SCSC Holdings and CCST Investment will decrease to 25%, 25% and 25% of the total number of issued Shares, respectively. Accordingly, each of ACAC Investment, SCSC Holdings, CCST Investment, Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau is our Substantial Shareholder upon Listing. For details regarding the shareholding interests of our Substantial Shareholders, please see “Relationship with Substantial Shareholders” and “Substantial Shareholders”.

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

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Bands Investment

Bands Investment was incorporated in the BVI as a limited liability company on 22 September 2017. Since its incorporation and up to the Latest Practicable Date, one fully-paid share has been allotted and issued to our Company, and Bands Investment has been wholly and beneficially owned by our Company.

Bands Investment engages in investment holding.

Wise Fine

Wise Fine was incorporated in Hong Kong as a limited liability company on 1 March 2004. On 31 March 2004, Wise Fine was owned as to 33.33% by each of Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau, respectively.

As a result of the Reorganisation, on 23 October 2017, Wise Fine became a direct wholly-owned subsidiary of Bands Investment, which in turn is an indirect wholly-owned subsidiary of our Company. As at the Latest Practicable Date, Wise Fine had an issued share capital of HK\$3 divided into three shares.

Wise Fine serves as an operating company which engages in both the Distribution Business and Retail Business.

Saw Corporation

Saw Corporation was incorporated in Hong Kong as a limited liability company on 24 January 2003. Since its incorporation, Saw Corporation has been owned as to 33.33% by each of Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau, respectively.

As a result of the Reorganisation, on 23 October 2017, Saw Corporation became a direct wholly-owned subsidiary of Bands Investment, which in turn is an indirect wholly-owned subsidiary of our Company. As at the Latest Practicable Date, Saw Corporation had an issued share capital of HK\$3 divided into three shares.

Saw Corporation serves as an operating company which engages in the Distribution Business.

Sunny Land

Sunny Land was incorporated in Hong Kong as a limited liability company on 16 June 2017. On 26 July 2017, Sunny Land was owned as to 33.33% by each of Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau, respectively.

As a result of the Reorganisation, on 23 October 2017, Sunny Land became a direct wholly-owned subsidiary of Bands Investment, which in turn is an indirect wholly-owned subsidiary of our Company. As at the Latest Practicable Date, Sunny Land had an issued share capital of HK\$3 divided into three shares.

Sunny Land serves as an operating company which engages in the Distribution Business.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

National Jade

National Jade was incorporated in Hong Kong as a limited liability company on 22 August 1996. On 18 December 1997, Mr. Andrew Chan held two shares in National Jade and 5,098 shares and 4,900 shares in National Jade were allotted and issued at HK\$5,098 and HK\$4,900 to Mr. Andrew Chan and Mr. Paul Fung, respectively. Since then, National Jade has been owned as to 51% by Mr. Andrew Chan (5,100 shares) and 49% by Mr. Paul Fung (4,900 shares).

Mr. Paul Fung has over 15 years of experience in sales and marketing and 20 years of experience in the Distribution Business. He joined our Group in December 1997 and is currently the sales director of National Jade.

Pursuant to the Confirmatory Deed in relation to the Trust Arrangement in National Jade executed by Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau on 27 September 2017, Mr. Andrew Chan confirmed that, since 18 December 1997, he has been holding 1,700 shares in National Jade for himself; 1,700 shares in National Jade on trust for and on behalf of Mr. Stephen Chan, being a beneficial owner; and 1,700 shares in National Jade on trust for and on behalf of Mr. William Chau, being another beneficial owner.

As a result of the Reorganisation, on 7 November 2017, National Jade became a direct non-wholly owned subsidiary of Bands Investment, which in turn is an indirect non-wholly owned subsidiary of our Company.

National Jade serves as an operating company which engages in the Distribution Business and mainly distributes confectionery products. For the years ended 31 March 2015, 2016, 2017 and five months ended 31 August 2017, National Jade recorded revenue of approximately HK\$69.0 million, HK\$68.6 million, HK\$70.9 million and HK\$25.4 million, respectively, and contributed profit to the owners of the Company (excluding the non-controlling interests) of approximately HK\$2.7 million, HK\$1.4 million, HK\$0.9 million and HK\$0.4 million, respectively.

INCLUDED BUSINESS OF BEST SOURCE

Best Source

Best Source was incorporated in Hong Kong as a limited liability company on 12 December 1991. On 16 March 1992, Best Source was owned as to 35% by Mr. Andrew Chan, 30% by Mr. Stephen Chan and 35% by Mr. William Chau. On 30 June 2017, 500 shares in Best Source were allotted and issued at a consideration of HK\$500, being the par value, to Mr. Stephen Chan. Since then, Best Source has been owned as to 33.33% by each of Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau, respectively.

As confirmed by our Directors, there was no material or systemic non-compliance of Best Source during the Track Record Period.

Reasons for non-inclusion in our Group

Best Source currently engages in two principal types of businesses, namely (i) properties investment holding (the “**Properties Investment Business**”) and (ii) food and beverage distribution business with certain supermarket and pharmacy chains (the “**Distribution Business with Supermarket and Pharmacy Chains**”) and with certain convenience store chain (the “**Distribution Business with Convenience Store Chain**”) in Hong Kong.

Given that Best Source is the holding company of certain properties in Hong Kong, and that our Company intends to have a more focused line of business with a clearer delineation between our food and beverage distribution and retail businesses and the Properties Investment Business upon Listing, as part of the Reorganisation, on 21 November 2017, the Business Transfer Deeds were entered into between Best Source and Saw Corporation, as well as between Best Source and Sunny Land, for the transfers of the Distribution Business with Supermarket and Pharmacy Chains to Saw Corporation and the Distribution Business with Convenience Store Chain to Sunny Land, respectively. For details, please see “— Reorganisation — Reorganisation steps — (h) Step 8 — Full completion of the Business Transfer Deeds”.

The second tranche of completion of the Business Transfer Deeds took place on 31 January 2018, pursuant to which Best Source completely ceased its Distribution Business with Supermarket and Pharmacy Chains and its Distribution Business with Convenience Store Chain. Upon completion of the Business Transfer Deeds, Best Source remains as a properties investment holding company. As the principal activity of Best Source immediately after full completion of the Business Transfer Deeds merely involves properties investment holding, Best Source does not engage in any business which directly or indirectly competes with our Group. As a result of the Reorganisation, Best Source is not included in our Group.

Our Group has been leasing certain properties of (i) Best Source and (ii) Best Source and Ms. Janny Tin, respectively for our operations. For details, please see “Connected Transactions — Non-exempt continuing connected transactions — 1. Leasing of properties to our Group”.

PARTIES ACTING COLLECTIVELY

Pursuant to the Confirmatory Deed in relation to Parties Acting Collectively, Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau, being our Substantial Shareholders, confirmed their arrangements to act collectively (the “**Arrangements**”) in respect of Wise Fine, Saw Corporation, Best Source and National Jade (collectively referred to as the “**HK Companies**”) since the date they became legally and/or beneficially interested in the issued shares of each of the HK Companies, whereby:

- (a) they have managed and controlled the HK Companies on a collective basis and have made collective decisions in respect of the material management matters;
- (b) they have agreed to centralise, and have centralised, the ultimate control and right to make final decisions with respect to their interests in the businesses and projects of the HK Companies;
- (c) they have agreed to consult, and have consulted, each other in advance so as to reach unanimous consensus among themselves in respect of such matters being the subject matters of any shareholders’ resolution, prior to putting forward such resolution to be passed at any shareholders’ meeting of the HK Companies, and have historically voted on such resolutions in the same way; and
- (d) they have been enjoying the economic benefits generated, including but not limited to, dividends declared from the businesses and projects of the HK Companies in proportion to their respective shareholdings in the HK Companies.

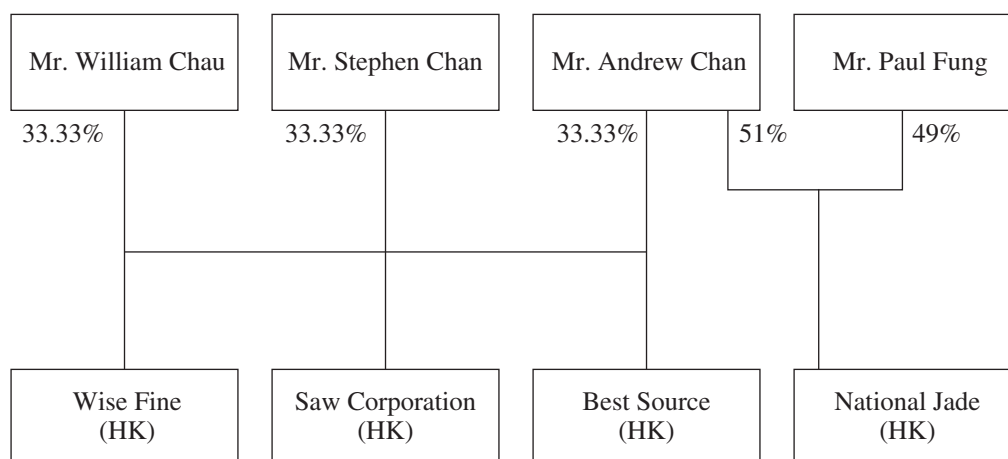
For the avoidance of doubt, the Arrangements do not fall within the definition of “acting in concert” under the Takeovers Code.

Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau have further undertaken that they will continue to manage and operate the HK Companies under the Arrangements until the termination of the Confirmatory Deed in relation to Parties Acting Collectively which shall take immediate effect at 9:30 a.m. on the Listing Date.

REORGANISATION

Group structure before the Reorganisation

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



Reorganisation steps

In preparing for the Listing, we have carried out the Reorganisation which involved the following steps:

(a) Step 1 — Incorporation of Sunny Land

Sunny Land was incorporated in Hong Kong with limited liability on 16 June 2017. Following incorporation, one ordinary share was transferred to Mr. William Chau. On 26 June 2017, two ordinary shares were allotted and issued and each of Mr. Andrew Chan and Mr. Stephen Chan subscribed for one ordinary share at a consideration of HK\$1.00 and HK\$1.00, respectively.

As a result, Sunny Land was owned as to 33.33% by each of Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau, respectively.

(b) Step 2 — Incorporation of ACAC Investment, SCSC Holdings and CCST Investment

Each of ACAC Investment, SCSC Holdings and CCST Investment was incorporated in the BVI with limited liability on 16 August 2017.

Each of ACAC Investment, SCSC Holdings and CCST Investment is authorised to issue up to a maximum of 50,000 ordinary shares at a par value of US\$1.00 each.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Upon incorporation:

- i. Mr. Andrew Chan subscribed for one fully paid share of ACAC Investment for the issue price of US\$1.00 per share;
- ii. Mr. Stephen Chan subscribed for one fully paid share of SCSC Holdings for the issue price of US\$1.00 per share; and
- iii. Mr. William Chau subscribed for one fully paid share of CCST Investment for the issue price of US\$1.00 per share.

As a result, each of ACAC Investment, SCSC Holdings and CCST Investment is wholly-owned by Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau, respectively.

(c) Step 3 — Incorporation of our Company

On 21 August 2017, our Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability, with an authorised share capital of HK\$390,000 divided into 39,000,000 Shares with a par value of HK\$0.01 each. Upon incorporation, one subscriber's Share, credited as fully paid, was immediately transferred, and 99 Shares were further allotted and issued, all at par value, to Mr. Andrew Chan. On the same date of incorporation, 200 Shares were allotted and issued and each of Mr. Stephen Chan and Mr. William Chau subscribed for 100 Shares at par value.

As a result, our Company was owned as to 33.33% by each of Mr. William Chau (100 Shares), Mr. Stephen Chan (100 Shares) and Mr. Andrew Chan (100 Shares), respectively.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 13 October 2017.

(d) Step 4 — Incorporation of Bands Investment

On 22 September 2017, Bands Investment was incorporated in the BVI with limited liability. Bands Investment is authorised to issue up to a maximum of 50,000 ordinary shares at a par value of US\$1.00 each. Upon incorporation, the Company subscribed for one fully paid share of Bands Investment for the issue price of US\$1.00 per share.

As a result, Bands Investment became a wholly-owned subsidiary of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(e) Step 5 — Transfer of 100% of the entire issued share capital in our Company from Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau to ACAC Investment, SCSC Holdings and CCST Investment, respectively

On 6 October 2017:

- i. Mr. Andrew Chan transferred his 100 Shares to ACAC Investment, in consideration of and exchange for which ACAC Investment allotted and issued one share in itself to Mr. Andrew Chan;
- ii. Mr. Stephen Chan transferred his 100 Shares to SCSC Holdings, in consideration of and exchange for which SCSC Holdings allotted and issued one share in itself to Mr. Stephen Chan; and
- iii. Mr. William Chau transferred his 100 Shares to CCST Investment, in consideration of and exchange for which CCST Investment allotted and issued one share in itself to Mr. William Chau.

Following completion of the above transfers on 6 October 2017, our Company was owned as to 33.33% by each of ACAC Investment (100 Shares), SCSC Holdings (100 Shares) and CCST Investment (100 Shares), respectively.

Each of ACAC Investment, SCSC Holdings and CCST Investment continues to be wholly-owned by Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau, respectively.

(f) Step 6 — Transfers of 100% of the entire issued share capital in each of Wise Fine, Saw Corporation and Sunny Land from Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau, respectively to Bands Investment (as our Company's nominee)

- i. On 23 October 2017, Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau as vendors and the Company as purchaser entered into a share swap deed, pursuant to which Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau respectively transferred his one share (in total being three shares) in Wise Fine to Bands Investment (as our Company's nominee), each representing 33.33% of the issued share capital (in total being 100% of the issued share capital) in Wise Fine, in consideration of and exchange for which the Company allotted and issued a total of 300 Shares, credited as fully paid, with 100 such Shares to ACAC Investment (at the direction of Mr. Andrew Chan), 100 such Shares to SCSC Holdings (at the direction of Mr. Stephen Chan) and 100 such Shares to CCST Investment (at the direction of Mr. William Chau) respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- ii. On 23 October 2017, Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau as vendors and the Company as purchaser entered into a share swap deed, pursuant to which Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau respectively transferred his one share (in total being three shares) in Saw Corporation to Bands Investment (as our Company's nominee), each representing 33.33% of the issued share capital (in total being 100% of the issued share capital) in Saw Corporation, in consideration of and exchange for which the Company allotted and issued a total of 300 Shares, credited as fully paid, with 100 such Shares to ACAC Investment (at the direction of Mr. Andrew Chan), 100 such Shares to SCSC Holdings (at the direction of Mr. Stephen Chan) and 100 such Shares to CCST Investment (at the direction of Mr. William Chau) respectively.
- iii. On 23 October 2017, Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau as vendors and the Company as purchaser entered into a share swap deed, pursuant to which Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau respectively transferred his one share (in total being three shares) in Sunny Land to Bands Investment (as our Company's nominee), each representing 33.33% of the issued share capital (in total being 100% of the issued share capital) in Sunny Land, in consideration of and exchange for which the Company allotted and issued a total of 300 Shares, credited as fully paid, with 100 such Shares to ACAC Investment (at the direction of Mr. Andrew Chan), 100 such Shares to SCSC Holdings (at the direction of Mr. Stephen Chan) and 100 such Shares to CCST Investment (at the direction of Mr. William Chau) respectively.

Following completion of the above transfers on 23 October 2017, each of Wise Fine, Saw Corporation and Sunny Land became a wholly-owned subsidiary of Bands Investment. Our Company was as a result owned as to 33.33% by each of ACAC Investment (400 Shares), SCSC Holdings (400 Shares) and CCST Investment (400 Shares).

(g) Step 7 — Transfer of 51% of the entire issued share capital in National Jade from Mr. Andrew Chan (held for himself and on behalf of Mr. Stephen Chan and Mr. William Chau all in equal share pursuant to the Confirmatory Deed in relation to the Trust Arrangement in National Jade) to Bands Investment (as our Company's nominee)

On 7 November 2017, Mr. Andrew Chan (as legal and beneficial owner), Mr. Stephen Chan (as beneficial owner) and Mr. William Chau (as beneficial owner) as vendors and our Company as purchaser entered into a share swap deed, pursuant to which:

- i. Mr. Andrew Chan transferred his 1,700 shares in National Jade to Bands Investment (as our Company's nominee), in consideration of and exchange for which our Company allotted and issued 100 Shares to ACAC Investment (at the direction of Mr. Andrew Chan);

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- ii. Mr. Andrew Chan (on behalf of Mr. Stephen Chan, being a beneficiary under the Confirmatory Deed in relation to the Trust Arrangement in National Jade) transferred 1,700 shares to Bands Investment (as our Company's nominee), in consideration of and exchange for which our Company allotted and issued 100 Shares to SCSC Holdings (at the direction of Mr. Andrew Chan on behalf of Mr. Stephen Chan, being a beneficiary under the Confirmatory Deed in relation to the Trust Arrangement in National Jade); and
- iii. Mr. Andrew Chan (on behalf of Mr. William Chau, being another beneficiary under the Confirmatory Deed in relation to the Trust Arrangement in National Jade) transferred 1,700 shares to Bands Investment (as our Company's nominee), in consideration of and exchange for which our Company allotted and issued 100 Shares to CCST Investment (at the direction of Mr. Andrew Chan on behalf of Mr. William Chau, being another beneficiary under the Confirmatory Deed in relation to the Trust Arrangement in National Jade).

Following completion of the above transfers on 7 November 2017, National Jade became a direct non-wholly owned subsidiary of Bands Investment and an indirect non-wholly owned subsidiary of our Company. Our Company was as a result owned as to 33.33% by each of ACAC Investment (500 Shares), SCSC Holdings (500 Shares) and CCST Investment (500 Shares).

(h) Step 8 — Full completion of the Business Transfer Deeds

Business transfer to Saw Corporation

- i. On 21 November 2017, Best Source as vendor and Saw Corporation as purchaser entered into the Business Transfer Deed with Saw Corporation, pursuant to which Best Source agreed to sell and Saw Corporation agreed to purchase (i) certain fixed assets (being the motor vehicles) and (ii) the trade receivables in relation to the Distribution Business with Supermarket and Pharmacy Chains.
- ii. The first tranche of completion of the Business Transfer Deed with Saw Corporation took place immediately upon the signing of the said agreement on 21 November 2017, whereby (i) certain fixed assets (being the motor vehicles) at a consideration of approximately HK\$0.1 million based on their book value as at 31 October 2017 was paid in full, and (ii) all of the trade receivables as at 31 October 2017 in relation to the Distribution Business with Supermarket and Pharmacy Chains in the sum of approximately HK\$17.8 million was settled in full on a dollar-for-dollar basis.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- iii. The second tranche of completion of the Business Transfer Deed with Saw Corporation took place on 31 January 2018, pursuant to which Best Source completely ceased its operation of the Distribution Business with Supermarket and Pharmacy Chains. On 31 January 2018, all of the then outstanding trade receivables in relation to the Distribution Business with Supermarket and Pharmacy Chains were transferred to Saw Corporation and settled in full on a dollar-for-dollar basis and as such, the transfer of the Distribution Business with Supermarket and Pharmacy Chains under the Business Transfer Deed with Saw Corporation was fully completed.

Business transfer to Sunny Land

- i. On 21 November 2017, Best Source as vendor and Sunny Land as purchaser entered into the Business Transfer Deed with Sunny Land, pursuant to which Best Source agreed to sell and Sunny Land agreed to purchase the trade receivables in relation to the Distribution Business with Convenience Store Chain.
- ii. The first tranche of completion of the Business Transfer Deed with Sunny Land took place immediately upon the signing of the said agreement on 21 November 2017, whereby all of the trade receivables as at 31 October 2017 in relation to the Distribution Business with Convenience Store Chain in the sum of approximately HK\$8.6 million was settled in full on a dollar-for-dollar basis.
- iii. The second tranche of completion of the Business Transfer Deed with Sunny Land took place on 31 January 2018, pursuant to which Best Source completely ceased its operation of the Distribution Businesses with Convenience Store Chain. On 31 January 2018, all of the then outstanding trade receivables in relation to the Distribution Business with Convenience Store Chain were transferred to Sunny Land and settled in full on a dollar-for-dollar basis and as such, the transfer of the Distribution Business with Convenience Store Chain under the Business Transfer Deed with Sunny Land was fully completed.

As a result of the Reorganisation, Best Source is not included in our Group. Regarding the reasons for exclusion of Best Source from our Group, please see “— Included business of Best Source — Best Source — Reasons for non-inclusion in our Group”.

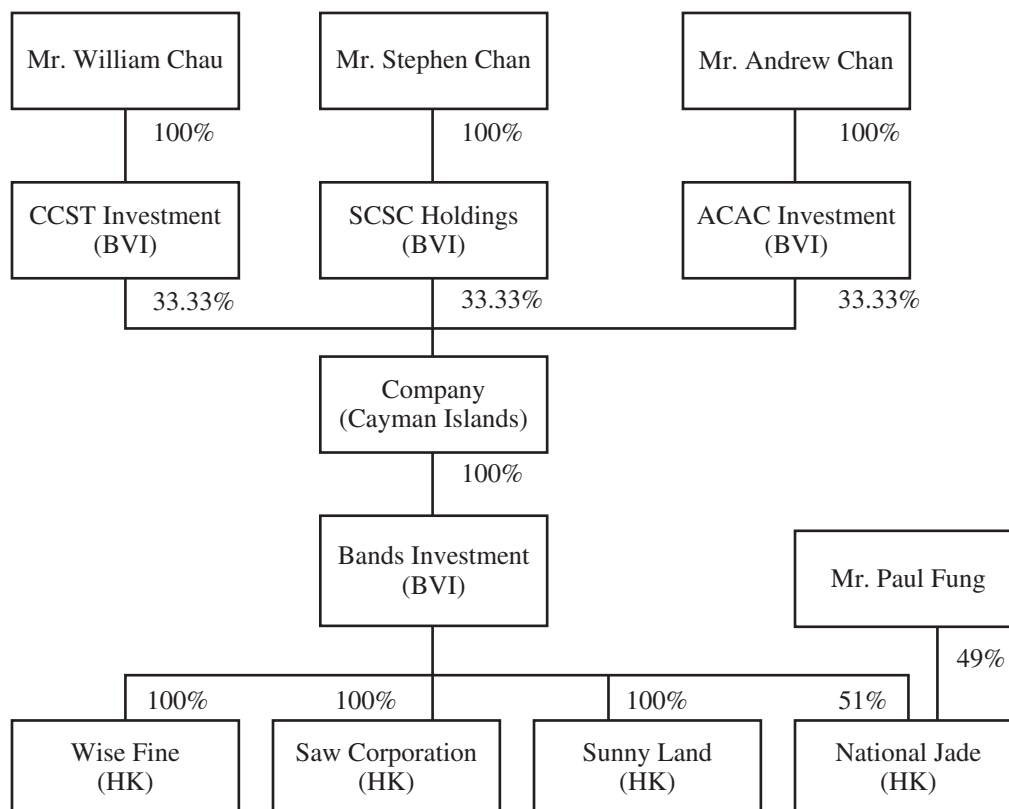
(i) Step 9 — Increase in the authorised share capital of our Company

On 12 February 2018, the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,961,000,000 Shares, ranking *pari passu* in all respects with the then existing Shares.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

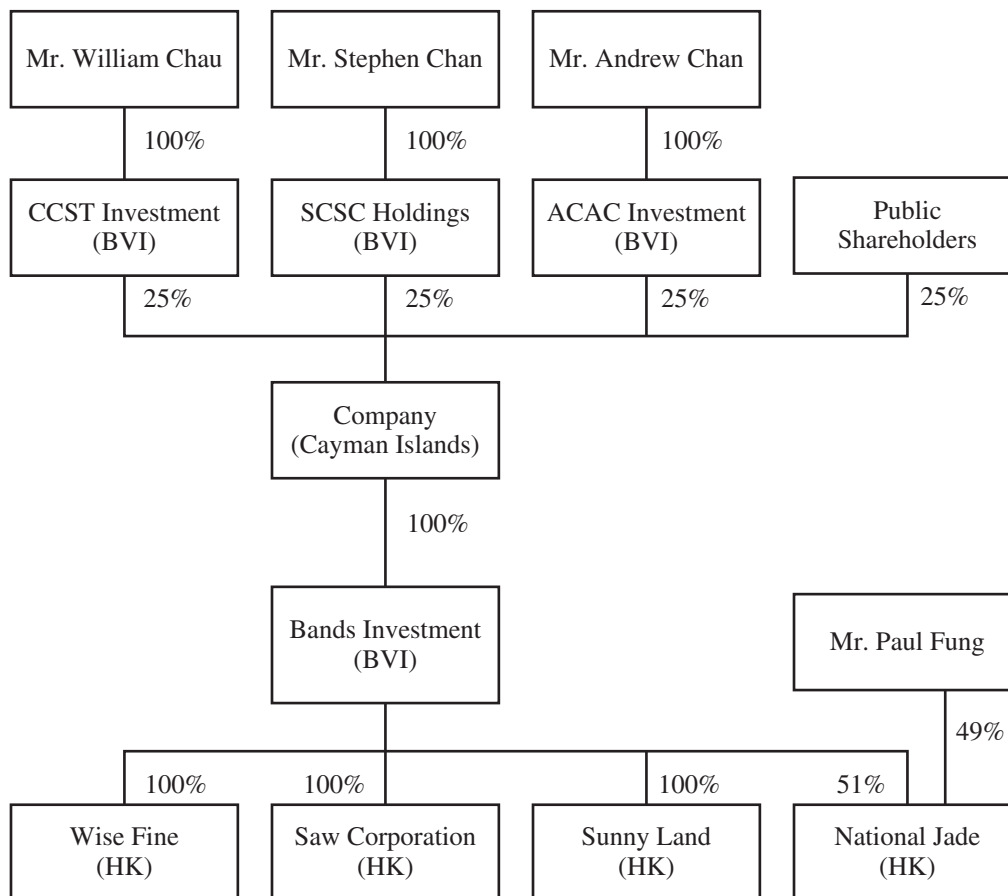
Group structure after the Reorganisation

The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but before the Capitalisation Issue and Share Offer:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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



BUSINESS

OVERVIEW

We are a well-established food and beverage company with over 27 years of operating history in Hong Kong. We have two business segments, namely our Distribution Business and Retail Business. For our Distribution Business, we distribute and market a diversified portfolio of overseas branded food and beverage products through our supply chain solutions to overseas brand owners and local retailers. Our top products include “UHA (味覺糖)” UHA 味覺糖 candies sourced directly from the brand owner in Japan and distributed to mainly retailers in Hong Kong. For our Retail Business, we are licenced to set up and self-operate retail outlets for a few overseas food and beverage brands in Hong Kong. Our top retail brand is “TenRen (天仁茗茶)” 天仁茗茶, which ranked first in the tea drinks chain market in Hong Kong by revenue for the period from 1 November 2016 to 31 October 2017, with a market share of approximately 24.3% according to the Industry Report and 32 retail outlets set up and operated by us as at the Latest Practicable Date.

The following table sets out the respective components of our revenue derived from our Distribution Business and Retail Business during the Track Record Period:

Category	Year ended 31 March						Five months ended 31 August				
	2015		2016		2017		2016		2017		
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
											(Unaudited)
Distribution Business	241,941	85.6%	220,606	73.6%	243,075	66.1%	92,753	65.7%	96,287	56.7%	
Retail Business	40,617	14.4%	79,164	26.4%	124,903	33.9%	48,461	34.3%	73,432	43.3%	
Total	282,558	100.0%	299,770	100.0%	367,978	100.0%	141,214	100.0%	169,719	100.0%	

Distribution Business

We distribute and market a diversified portfolio of overseas food and beverage products to mainly retailers, such as supermarket, pharmacy, convenience store and department store chains in Hong Kong. Our notable products include the Japanese “UHA (味覺糖)” UHA 味覺糖 candies, the Malaysian “Chek Hup (澤合)” CHEKHUP Ipoh instant white coffee and Taiwanese “Hsin Tung Yang (新東陽)” 新東陽 confectionery products. We provide supply chain solutions, from importing the products from the overseas brand owners to marketing the products to retailers in Hong Kong. Our services include (i) arranging inbound logistics; (ii) relabelling the products to comply with the relevant Hong Kong food safety and labelling laws; (iii) repackaging the products to suit the needs of the retailers or consumers; and (iv) formulating marketing and sales strategies, including advising on retail prices, organising promotion campaigns as well as designing and producing customised display racks or stands to be placed at the customers’ points of sales.







BUSINESS

Suppliers. The majority of our products are sourced directly from the overseas brand owners. We believe that the overseas brand owners choose to work with us to penetrate the Hong Kong market with their products (instead of selling their products directly to retailers in Hong Kong) primarily due to our in-depth knowledge of the local market and our wide distribution network.

Products. During the Track Record Period, we were able to offer approximately 7,000 SKUs of food and beverage products from over 100 brands. The majority of such brands are imported from Japan and Taiwan, while the remaining of which are from Malaysia, Argentina, the PRC, Turkey and the United Kingdom, etc. Our products are mainly confectionery products, such as sweets and candies, biscuits, cakes and pastries, and instant drink powders, etc.

Customers. We sell the majority of imported products directly to retailers in Hong Kong, including supermarkets, pharmacies, convenience stores, department stores, bakeries, confectionery stores and petrol stations, etc. During the Track Record Period, we also sold a small amount of our products to trading companies on an outright basis. As at 31 October 2017, our five largest customers for the Track Record Period had over 2,500 retail outlets in Hong Kong in total. We believe that the retailers in Hong Kong choose to source overseas products from us (instead of purchasing the products directly from overseas brand owners) primarily due to our supply chain solutions.

Retail Business

We principally prepare and/or sell overseas branded food and beverage products licensed to us at our self-operated retail outlets in Hong Kong. As at the Latest Practicable Date, we had set up 42 self-operated retail outlets and we managed one retail outlet pursuant to a management agreement. As at the Latest Practicable Date, we were licenced to set up and operate retail outlets in Hong Kong for several overseas food and beverage brands, including “TenRen (天仁茗茶)”  (a premier brand for Taiwanese tea-based drinks), “Uncle Tetsu (徹思叔叔)”  (a prominent brand for Japanese cheesecake), “Hotel Chocolat”  (a British chocolate brand) and “Jiu Tang Wu (九湯屋)”  (a Japanese ramen brand originated in Taiwan). Our top brand is “TenRen (天仁茗茶)”  , which was the largest revenue contributor of our Retail Business and constituted approximately 92.2%, 90.6%, 88.9% and 92.0% of our retail revenue during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively.

OUR STRENGTHS

We believe we possess the following strengths which contributed to our success.

Supply chain solutions to attract overseas brand owners and local retailers.

We believe the overseas brand owners are aware that it is difficult to market, distribute and/or retail a brand/product in Hong Kong given the high bargaining power of retail chains, high rental costs, specific food safety and labelling laws, and fierce open-market competition. On the other hand, we believe the local retailers have to incur significant liaison, negotiation and logistics costs in order to maintain a wide selection of popular overseas products from different brand owners in various countries and time zones. We are able to build up a track record of attracting various overseas brand owners with high popularity as well as local retailers with wide retail distribution networks in Hong Kong to work with us primarily due to the supply chain solutions we are able to offer as further detailed below:

Diverse product offerings and point-to-point logistics. During the Track Record Period, we were able to offer approximately 7,000 SKUs of imported food and beverage products from over 100 brands originated from over 15 countries. The local retailers are able to source a wide selection of popular overseas products from different brand owners in various countries and time zones offered by us as a one-stop shop in Hong Kong, thereby saving such retailers' internal resources on (i) liaising and negotiating supply terms with different brand owners; (ii) arranging inbound logistics in different countries; and (iii) managing optimal inventories at and ensuring on-time delivery schedules to retailers' warehouses.

Food safety and product packaging and labelling. Both our overseas brand owners and local retailers rely on our market knowledge of food safety, product packaging and labelling. Our quality assurance department reviews the ingredient components to ensure that no restricted substances are included in the products according to the Hong Kong laws. We ensure the products are relabelled with appropriate ingredients lists, expiry information and food nutrition facts in accordance with the Hong Kong laws. Our sales and marketing team provides suggestions to brand owners on package design and size to cater to the needs of the retailers and consumers in Hong Kong.

Sales and marketing. Our sales and marketing team has a track record of penetrating the Hong Kong retail market with various brands/products, which is beneficial to both brand owners and retailers. We suggest retail prices to retailers based on our in-depth knowledge of the local market. Taking into account the special features of a particular brand/product, our sales and marketing team formulates tailor-made marketing plans to promote the products, such as designing and building eye-catching display racks or stands to be placed at points of sales; organising food tasting events; or advertising the brand/product through trade fairs, newspapers, television or social media, etc.

With our supply chain solutions and our in-depth knowledge of the local market, we believe we are able to attract more famous brand owners to distribute their products in Hong Kong through us given that we are also able to expand their revenue sources and raise their brand awareness in

BUSINESS

Hong Kong, and on the other hand, we are able to entice more retailers to source various overseas branded food and beverage products from us given that we are able to expand their product offerings.

An established customer network to distribute products widely in Hong Kong.

For our Distribution Business, we strive to list the products in retail chains with wide retail distribution networks in Hong Kong, which we believe the overseas brand owners would find difficult to negotiate due to the high product listing barrier. With our long operating history in the Distribution Business, we have established a strong customer network comprising supermarkets, pharmacies, convenience stores, department stores, bakeries, confectionery stores and trading companies, etc. As at 31 October 2017, our five largest customers for the Track Record Period had over 2,500 retail outlets in Hong Kong in total, most of which are retail chains, and some of which are household names with retail outlets almost all over Hong Kong. Our top customer during the Track Record Period was a high profile mixed retail group in Hong Kong, which had over 310 supermarkets, 290 pharmacies, and 970 convenience stores in Hong Kong as at 31 October 2017. We have established a business relationship with this high profile customer since the late 1990s. This top customer contributed approximately 31.1%, 33.7%, 38.7% and 40.6% of our distribution revenue for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. Leveraging on our long-term relationships with such retail chains, we are confident that we are able to list the brands/products in their points of sales and ensure that the products are distributed and marketed widely enough in Hong Kong. We believe that this strong customer network serves as an effective distribution and marketing platform for us to launch new brands/products as our customers are more receptive to our products due to our excellent track record. Our strong customer network also allows us to capture the latest market trends and consumer preferences, which helps us to identify new brands/products to enrich our existing brand/product portfolio.

A fast-growing retail network in Hong Kong with strong growth potentials.

We believe we possess in-depth knowledge on how to set up and operate retail outlets successfully in Hong Kong, as evidenced by (i) the growth in the number of our retail outlets at a CAGR of approximately 128.0% from 2012 to 2016; (ii) the growth in our retail revenue at a CAGR of approximately 75.4% during the three years ended 31 March 2017; (iii) the growth in our retail gross profits at a CAGR of approximately 139.8% during the three years ended 31 March 2017; and (iv) the short breakeven period of our retail outlets opened during the Track Record Period of generally one month. Because our Retail Business is still in its early stage of development, we believe there are strong growth potentials driven by new outlet opening and introduction of new retail brands. Our current retail network mainly focuses on more prominent commercial districts with heavy pedestrian flow. We believe there is room for expanding our current retail network to residential or industrial districts in Hong Kong. Our Retail Business currently relies on a few brands only. Our strong performance and growth will allow us to attract other high quality brands with potential for setting up and operating retail chains in Hong Kong, thereby expanding our Retail Business.

Synergy in our integrated and self-operated business model.

Our Distribution Business and Retail Business are complementary with each other. Taking our “TenRen (天仁茗茶)” 天仁茗茶 operations as an example, we obtained a licence to set up and operate its (and also our) first retail outlet in Hong Kong in 2012, attributable to our established relationship in distributing and marketing its loose-leaf tea bags from our Distribution Business. Reversely, the successful launch of our “TenRen (天仁茗茶)” 天仁茗茶 retail chain in Hong Kong effectively has raised the brand awareness of “TenRen (天仁茗茶)” 天仁茗茶 and other Taiwanese food and beverage products in Hong Kong, which in turn is beneficial to our Distribution Business. In addition, we seek opportunities to cross-sell our products among our business segments. For example, our “Uncle Tetsu (徹思叔叔)” 徹思叔叔 cheesecakes are made of the Japanese fresh eggs under our Distribution Business, and the success of our cheesecakes becomes an effective advertisement for our fresh eggs without additional costs.

We remain prudent when expanding our Retail Business notwithstanding its fast growth during the Track Record Period. We believe the self-operated model (as opposed to the sub-franchising model) we are currently adopting is conducive to maintaining quality and consistency across our retail outlets in terms of raw material sourcing, staff recruitment, staff retention and training, outlet design and ambience as well as, more importantly, product making and services, thereby imparting better confidence to consumers. In addition, by centrally and directly managed raw material sourcing, we are able to save further costs through economies of scale.

Stringent quality control and assurance systems.

Both of our Distribution Business and Retail Business rely on our stringent quality control and assurance systems. We have a designated quality assurance department to ensure that there are no restricted substances in the products sold by us in accordance with the Hong Kong laws and consumers’ perception. Our quality assurance team works closely with ingredient and product suppliers to understand and regularly check the ingredient contents, and when the circumstances require, obtain third-party testing reports to counter-check the results. Our quality assurance team members, each of whom has over three years of related working experience, is designated for food safety matters and throughout the years, have accumulated practical knowledge and experience on food safety laws and consumer perception in Hong Kong.

Experienced management team with a proven track record of growth, leadership, and execution.

We believe that a stable and dedicated management team is crucial to our business. Our management team has extensive experience in the food and beverage industry. The stability of our management team is evidenced by the majority of our key management having served with us for over 26 years. We have three founders, namely Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau. Mr. Andrew Chan, our executive Director, has over 25 years of experience in the distribution industry and is responsible for the overall management of our brand sourcing and Retail Business. Mr. Stephen Chan, our executive Director, possesses over 26 years of experience in the distribution industry and is responsible for the overall management of our sales and marketing function. Mr. William Chau, our executive Director, has over 26 years of experience in the distribution industry and is responsible for the overall management of our logistic and financial matters. Other members of our senior management also have significant experience in key aspects

of our operation, including marketing, design, human resources and other corporate management functions. Please see “Directors and Senior Management” for further details and biographies of our Directors and senior management.

OUR STRATEGIES

We intend to maintain and further our success by implementing the following strategies.

Expand the Retail Business by opening new outlets and introducing new retail brands.

Our Retail Business is the emerging and fast-growing business segment. Our Retail Business is still in its early stage of development and we believe there are strong growth potentials. We intend to capture the strong growth potentials by expanding the retail network for our existing licenced brands, particularly “TenRen (天仁茗茶)” 天仁茗茶, and sourcing and obtaining licences from other brands to launch new retail chains in Hong Kong. We will remain prudent when expanding our Retail Business by continuing to adopt the self-operated model.

“TenRen (天仁茗茶)” 天仁茗茶. As at the Latest Practicable Date, we operated 32 TenRen (天仁茗茶)” 天仁茗茶 retail outlets, of which nine were located on Hong Kong Island (clustered mainly in Central and Wanchai); nine were located in Kowloon (clustered mainly in Mongkok, Tsimshatsui and East Kowloon); and 14 were located in the New Territories (concentrated in certain areas only).

We intend to expand the retail network of “TenRen (天仁茗茶)” 天仁茗茶 by opening around one (i.e. the outlet which closed down temporarily pending relocation), eight and eight self-operated retail outlets in Hong Kong from the Latest Practicable Date to 31 March 2018 and in each of the years ending 31 March 2019 and 2020, respectively. We believe there is room for further expansion in Hong Kong because:

- Taiwanese tea-based drinks are catered to consumers with fast-paced lifestyles, allowing them to enjoy freshly-brewed tea in the immediate vicinity, and we have yet to cover a number of areas with heavy pedestrian flow in Hong Kong. By way of example, (i) for Hong Kong Island, we have no coverage in the western and certain eastern parts of the Hong Kong Island, such as Tin Hau, Fortress Hill, North Point and Quarry Bay, all of which have good pedestrian flow; (ii) for Kowloon, our existing network is mainly within the commercial districts only and there are certain large-scale residential (e.g. Mei Foo and Lam Tin) or industrial (e.g. Cheung Sha Wan and Lai Chi Kok) districts with good pedestrian flow which are yet to be covered; and (iii) for New Territories, our current coverage is in certain areas only and we have yet to cover a number of large-scale and densely-populated residential areas such as Sha Tin and Sai Kung districts;
- although the consumption volume of tea drinks in Hong Kong is expected to grow at a relatively low CAGR of 2.2% from 2017 to 2021 according to the Industry Report, we believe it is feasible and commercially justifiable to open eight and eight more “TenRen (天仁茗茶)” 天仁茗茶 retail outlets in Hong Kong in each of the years ending 31 March 2019 and 2020 because we opened an average of seven new “TenRen (天仁茗茶)” 天仁茗茶 retail outlets in each of the three years ended 31 March 2017 and another nine new outlets from 1 April 2017 and up to the Latest Practicable Date, where


the consumption volume of tea drinks in Hong Kong also grew at a relatively low level from 2014 to 2016, which was approximately 3.3% from 2014 to 2015, and approximately 3.0% from 2015 to 2016 only. In addition, for the nine new outlets that we opened during the period from 1 April 2017 and up to the Latest Practicable Date, save for the most recent outlet we opened on 22 January 2018 which we had operated for less than one month up to the Latest Practicable Date, all of them have achieved breakeven in the first month, which reinforces our belief that there would be strong demand for “TenRen (天仁茗茶)” 天仁茗茶 products;

- our growth in “TenRen (天仁茗茶)” 天仁茗茶 retail outlets is expected not only be driven by expected future growth in the industry as a whole, but to a significant extent by our competitive advantages as the top market leader to capture larger market share by consolidating the market share of the existing market participants. In fact, we have been increasing our market share in the tea drinks chain market in Hong Kong in terms of revenue from 11.0% for the period from 1 November 2014 to 31 October 2015 to 17.5% for the period from 1 November 2015 to 31 October 2016 and further to 24.3% for the period from 1 November 2016 to 31 October 2017. We recorded (i) a revenue of approximately HK\$12.1 million or 9.9%; and (ii) an average sales per outlet of approximately HK\$1.1 million or 31.4% higher than the immediate competitor ranked below us for the period from 1 November 2016 to 31 October 2017 even though our number of stores were six or 17.1% less than that of the competitor as at 31 October 2017, according to the Industry Report; and
- our Directors believe that the Listing will strengthen the market position and increase the brand awareness of “TenRen (天仁茗茶)” 天仁茗茶, which would enable us to increase the competitiveness of the brand, increase market share and capture future growth.

As at the Latest Practicable Date, except that we signed lease agreements for two new retail outlets expected to be opened in Shau Kei Wan and Fanling, respectively, during the second quarter of 2018, we have not identified any locations nor have we entered into any lease agreement for the additional “TenRen (天仁茗茶)” 天仁茗茶 retail outlets that we plan to open during the two years ending 31 March 2020. We prefer locations with heavy pedestrian flow that we have yet to cover. In choosing the exact locations, we will consider the pedestrian flow, spending power, outlet availability, rental and other start-up costs, existing competition, etc. We will continue to open our “TenRen (天仁茗茶)” 天仁茗茶 retail outlets either as a standalone street or mall shop or a consignment counter within a department store.

“Jiu Tang Wu (九湯屋)” 九湯屋. As at the Latest Practicable Date, we operated two retail outlets and we plan to open five and five retail outlets in each of the years ending 31 December 2019 and 2020, respectively. Notwithstanding that we operate two “九湯屋 (Jiu Tang Wu)” 九湯屋 retail outlets as at the Latest Practicable Date with a short operating record since October 2017, we managed to sell an average of 299 bowls of ramen each day during such period and both of the retail outlets have achieved breakeven in the first month of operations. Our Directors believe that this brand, the ramen products of which are adapted to local preferences by using a less salty and greasy soup base and by adopting affordable pricing strategies, will gain popularity among health and budget conscious consumers. In addition, the Japanese cuisine catering market in Hong Kong

is expected to increase further. According to the Industry Report, the market size of the Japanese cuisine catering services market in Hong Kong experienced a moderate growth from HK\$8.6 billion in 2012 to HK\$10.3 billion in 2016, representing a CAGR of 4.6%. Due to raising popularity of Japanese cuisine among Hong Kong citizens, the sales revenue of Japanese cuisine catering market in Hong Kong is estimated to reach HK\$13.2 billion in 2021, growing at a CAGR of 5.1% from 2017 to 2021.

“*Uncle Tetsu* (徹思叔叔)” . As at the Latest Practicable Date, we operated in aggregate three retail outlets for this brand and pursuant to our exclusive licence agreement, we have undertaken to the brand owner to open one more retail outlet in Hong Kong by the end of November 2018, and accordingly, we plan to open around nil, one and one retail outlets in locations with high pedestrian flow and consumption level in Hong Kong from the Latest Practicable Date to 31 March 2018 and for each of the years ending 31 March 2019 and 2020, respectively. Despite that we recorded a decrease in revenue generated from and gross profit margin of the retail outlets for this brand, we still plan to gradually expand its retail network, after considering: (i) expansion of scale may help to reduce the centralised costs (such as costs related to central kitchen) to be borne by each outlet so as to improve the overall gross profit margin; (ii) we plan to open new concessionary counter within a department store or standalone shop in location which is expected to offer higher customer flow; and (iii) more marketing activities may be carried out for this brand when we have a larger operation scale.

Other brands. Our Retail Business relies on a few brands only. We intend to diversify our Retail Business by seeking licences from other overseas brand owners to set up and operate retail chains in Hong Kong. In identifying potential brands, our focus is on well-known brands in the overseas markets, which is easier for us to replicate the past success in Hong Kong. In addition, we consider whether the brand positioning, product quality and food safety management would be accepted by the Hong Kong consumers.

When a specific retail location for a new outlet is identified, we conduct feasibility studies which cover both financial and operational aspects. For financial aspects, we project the daily sales against the expected capital expenditure for new outlet opening (which include renovation costs and equipment costs) and ongoing operating expenses (which include rental costs, staff costs and purchasing costs) in order to derive the expected breakeven point and investment payback period. In terms of operational aspects, we mainly consider whether the premise is suitable for obtaining licenses and our ongoing operation.

When we evaluate the performance of our new retail outlets, we may consider their breakeven period or investment payback period. We determine (i) breakeven period to be the period after which a retail outlet’s monthly revenue is at least equal to its monthly expenses; and (ii) investment payback period as the time it takes for the accumulated net profits from a retail outlet to cover the costs of opening and operating the retail outlet for the period, including incurred capital expenditures and ongoing cash operating expenses. For the total of 31 retail outlets we opened (including one retail outlet which was relocated to a new location in May 2017) during the Track Record Period, (i) all of the outlets have achieved breakeven and the breakeven period was generally one month; and (ii) 21 of the outlets have achieved investment payback and the investment payback period was generally within or around 10 months. We expect that the new

BUSINESS

retail outlets that we plan to open will have similar breakeven periods and investment payback periods as the retail outlets we opened during the Track Record Period that achieved breakeven or investment payback.

We intend to finance the expansion of our Retail Business through a combination of internal resources and net proceeds from the Share Offer. For details on the use of net proceeds from the Share Offer on the expansion of our Retail Business, please see “Future Plans and Use of Proceeds”.

Further develop the Distribution Business by enlarging the brand/product portfolio.

Our Distribution Business is relatively more mature with a longer operating history. Throughout the years, we have accumulated an extensive portfolio of brands and products. To remain competitive in the market and to ensure a wider selection for our customers, we are in the constant search of high quality products that can be fit into the Hong Kong market. In identifying potential brands, our focus is on overseas brands/products that suit Hong Kong consumers’ tastes and preferences. To allow us to identify more potential brands, we intend to expand our sales and marketing department for the Distribution Business by hiring three additional staff members with experience in the food and beverage industry in Hong Kong. The sales and marketing team will be primarily responsible for conducting market research so as to monitor market trends and customer preferences to improve our product portfolio. The sales and marketing team would also conduct feasibility assessments on the potential brand or product based on criteria such as the popularity, quality, pricing, brand image and logistics requirements. Our Group intends to apply the net proceeds from the Share Offer to expand our sales and marketing team for the Distribution Business. For details on the use of proceeds from the Share Offer for the expansion of our sales and marketing team, please see “Future Plans and Use of Proceeds”.

Increase warehouse facilities to expand storage capacity.

Our warehouse facilities are important to support the circulation of an extensive portfolio of products under both the Distribution Business and Retail Business which require the storage of a considerably high level of inventories of various types of products. As at the Latest Practicable Date, the total gross floor area of our warehouse facilities was approximately 46,280 sq.ft. with designated storage capacity of approximately 2,995 CBM. The aggregate utilisation rates of our warehouses were approximately 111.9%, 95.9%, 114.8% and 114.6% for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively, which reached our maximum designated storage capacity. We intend to increase our storage capacity by leasing additional warehouses facilities with a gross floor area of approximately 30,000 sq.ft. with designated storage capacity of approximately 1,941 CBM. We plan to lease one additional warehouse facility with a gross floor area of approximately 20,000 sq.ft. in the year ending 31 March 2019 and a further warehouse facility with gross floor area of approximately 10,000 sq.ft. in the year ending 31 March 2020. As at the Latest Practicable Date, we have not identified any locations for the additional warehouses nor have we entered into any lease agreement. We prefer locations either in the same building of or in close proximity to our existing warehouse facilities in Yau Tong, Hong Kong in order to centralise resources, improve operational efficiency and save costs.

BUSINESS

We need to increase our warehouse facilities by approximately 64.8% because our warehouse facilities were fully utilised during the Track Record Period, which have to be expanded in order to support the continuous growth of our Distribution Business and Retail Business that require extra storage capacities. For our Distribution Business, we plan to further the growth of our brand/product portfolio. For our Retail Business, we plan to further the growth of our retail outlets. The number of our retail outlets grew at a CAGR of approximately 128.0% from 2012 to 2016, and we plan to grow our retail network from 43 retail outlets as at the Latest Practicable Date, to approximately 44 retail outlets by 31 March 2018, around 58 retail outlets by 31 March 2019, and around 72 retail outlets by 31 March 2020.

We intend to finance the increase of additional warehouse facilities through the net proceeds from the Share Offer. For details on the use of net proceeds from the Share Offer on the increase of warehouse facilities, please see “Future Plans and Use of Proceeds”.

Upgrade our ERP system to enhance our operation efficiency.

To cope with the expansion of our business resulting in a larger flow of products under both our Distribution Business and Retail Business, we plan to upgrade our existing ERP system to enhance our operating efficiency. The new ERP system will allow us to enhance coordination and management across different aspects of our operations, including inventory control, logistics arrangement, as well as internal administrative matters such as accounting, financial information, information technology and human resources management. We believe that the new ERP system will strengthen our supply chain management and enhance our customer relationship management, and allow us to work with our suppliers and customers more efficiently and effectively. Our Group intends to apply the net proceeds from the Share Offer to develop and implement the new ERP system. For details on the use of the net proceeds from the Share Offer on the upgrade of our ERP system, please see “Future Plans and Use of Proceeds”.

OUR BUSINESS

Our business comprises two segments, namely the Distribution Business and the Retail Business. The Distribution Business is the backbone of our business with an operating history dated back to the late 1990s, while the Retail Business is our emerging and fast-growing business which commenced in the early 2010s.

BUSINESS

The following table sets out the respective components of our revenue derived from our Distribution Business and Retail Business during the Track Record Period:

Category	For the year ended 31 March						For the five months ended 31 August			
	2015		2016		2017		2016		2017	
	% of total revenue		% of total revenue		% of total revenue		% of total revenue		% of total revenue	
	HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
							(Unaudited)			
Distribution Business	241,941	85.6%	220,606	73.6%	243,075	66.1%	92,753	65.7%	96,287	56.7%
Retail Business	40,617	14.4%	79,164	26.4%	124,903	33.9%	48,461	34.3%	73,432	43.3%
Total	<u>282,558</u>	<u>100.0%</u>	<u>299,770</u>	<u>100.0%</u>	<u>367,978</u>	<u>100.0%</u>	<u>141,214</u>	<u>100.0%</u>	<u>169,719</u>	<u>100.0%</u>

DISTRIBUTION BUSINESS

Distribution model

We distribute and market a diversified portfolio of overseas branded food and beverage products in Hong Kong. We provide supply chain solutions from importing the products from the overseas brand owners to marketing the products to retailers in Hong Kong. The majority of our products are sourced directly from the overseas brand owners, and are distributed widely in Hong Kong. We sell the majority of imported products directly to retailers in Hong Kong, including supermarkets, pharmacies, convenience stores, department stores, bakeries, confectionery stores, etc. During the Track Record Period, we also sold a small amount of our products to trading companies on an outright basis.

Suppliers

Our suppliers could be either overseas brand owners or their distributors. We prefer to source products directly from the overseas brand owners because we can work closely with them in customising sales and marketing strategies for the Hong Kong market, such as product repackaging and designing and producing customised display racks or stands. Please see “— Distribution Business — Supply chain solutions” for details. Such customised solutions are also features to showcase our ability to distribute their products widely in Hong Kong, thereby attracting new brand owners to work with us. For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, approximately 90.3%, 86.5%, 87.2%, 89.7% and 90.0% of our products under the Distribution Business were sourced directly from overseas brand owners, and approximately 9.7%, 13.5%, 12.8%, 10.3% and 10.0% of our products under the Distribution Business were sourced from distributors, respectively.

BUSINESS

We continuously seek to improve our supplier base so as to enhance our product portfolio and in turn allow our customers to have more popular choices for selection. Excluding distributors, during the five months ended 31 August 2017, we directly sourced products from over 80 overseas brand owners. The following table provides the respective numbers of overseas brand owners which we directly sourced products from during the Track Record Period:

	For the year ended 31 March			For the five months ended 31 August	
	2015	2016	2017	2016	2017
Number of overseas brand owners	163	114	96	81	82

The number of overseas brand owners from which we sourced products decreased over the Track Record Period primarily because we focused on sourcing from suppliers of more popular products and ceased to source from suppliers of products that Hong Kong consumers were less receptive to. We will continue to search for quality suppliers of products which may be potentially popular in the Hong Kong market.

Salient terms of a typical purchase transaction

We generally purchase products from suppliers on an as-needed basis and do not enter into long-term agreements or exclusive distributorship agreements, which is in line with industry practice. However, for certain key suppliers such as the brand owners of UHA, Hsin Tung Yang and Chek Hup, who were our five largest suppliers during the Track Record Period, we entered into exclusive distributorship agreements with them. The exclusive distributorship agreements granted us an exclusive right to distribute their branded products within the territories of both Hong Kong and Macau. Our current plan is to continue to focus on the Hong Kong market only. Although we have been granted rights to distribute in Macau, we have no current plan to expand our business to such region. For details, please see “— Distribution Business — Products — Top brands”. The exclusive distributorship agreements are framework agreements only, with the specific supply terms (including pricing and payment terms) fixed during each of our purchases. Whether exclusive distributorship agreements are signed, we place orders with our suppliers by way of purchase orders, which constitute our agreements with the suppliers. The purchase orders generally set out, among other things, the product specifications, quantities, unit prices, delivery terms, credit terms, shelf lives, packaging requirements, etc. Our suppliers then issue invoices to us upon receipt of purchase orders.

BUSINESS

Products

Our food and beverage products include sweets and candies, biscuits, cakes and pastries, instant drink powders, dried meat products, tea leaves, pasta, fresh eggs and condiments, etc., which are sourced from Japan, Taiwan, Malaysia, Argentina, the PRC, Turkey and the United Kingdom, etc. The following table provides countries of origin of our suppliers under the Distribution Business in terms of the respective purchasing amounts during the Track Record Period:

Country	For the year ended 31 March						For the five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	% of total purchase (Note 2)	HK\$'000	% of total purchase (Note 2)	HK\$'000	% of total purchase (Note 2)	HK\$'000 (Unaudited)	% of total purchase (Note 2)	HK\$'000	% of total purchase (Note 2)
Japan	60,215	32.6%	59,659	35.1%	82,846	41.1%	35,736	45.4%	34,472	38.8%
Taiwan	68,257	37.0%	54,569	32.1%	64,181	31.8%	24,185	30.7%	34,619	38.9%
Malaysia	17,634	9.6%	14,953	8.8%	15,381	7.6%	6,609	8.4%	5,416	6.1%
China	20,741	11.2%	18,144	10.7%	15,665	7.8%	3,608	4.5%	3,847	4.3%
Others ^(Note 1)	17,737	9.6%	22,859	13.3%	23,637	11.7%	8,636	11.0%	10,542	11.9%
Total	184,584	100.0%	170,184	100.0%	201,710	100.0%	78,774	100.0%	88,896	100.0%

Notes:

1. Other countries include the United Kingdom, Turkey, Argentina, Brazil, Korea, Philippines, Thailand, Vietnam and the United Arab Emirates, etc.
2. This represents the % of total purchases of the Distribution Business.




BUSINESS

We seek to enlarge our product portfolio and in turn allow our customers to have greater choices of selection. We were able to offer approximately 3,200 SKUs for the year ended 31 March 2015 and introduced approximately 1,900, 1,700 and 500 new SKUs for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, respectively, adding up to a total of approximately 7,000 SKUs of food and beverage products from over 100 brands during the Track Record Period. The following table sets forth the movement in the number of SKUs of our food and beverage products during the periods indicated:

	Year ended 31 March			Five months ended 31 August
	2015	2016	2017	2017
	Approximate number of SKUs of food and beverage products offered during the previous year/period	3,400	3,200	3,100
Approximate number of SKUs of newly added food and beverage products	1,400	1,900	1,700	500
Approximate number of SKUs of removed food and beverage products	1,600	2,000	2,100	1,300
Approximate number of SKUs of food and beverage products offered during the current year/period	3,200	3,100	2,700	1,900

Top brands

The following table provides selected information about our top three brands in terms of the total purchase of our Distribution Business during the Track Record Period:

Rank	Brands	Product Category	Approximate number of SKUs during the Track Record Period	For the year ended 31 March						For the five months ended 31 August								
				2015			2016			2017			2016			2017		
				Purchase volume (thousand units)	Total purchases HK\$'000	% of total purchase	Purchase volume (thousand units)	Total purchases HK\$'000	% of total purchase	Purchase volume (thousand units)	Total purchases HK\$'000	% of total purchase	Total purchases HK\$'000	% of total purchase	Purchase volume (thousand units)	Total purchases HK\$'000	% of total purchase	
1	“UHA 味覺糖” 	Candy and confectionery products	315	8,950	38,272	20.7%	8,407	35,163	20.7%	12,381	57,726	28.6%	5,937	25,074	31.8%	5,497	24,809	27.9%
2	“Hsin Tung Yang (新東陽)” 	Pork floss, pork jerky, pineapple pastries and Taiwanese vermicelli	203	891	10,966	5.9%	512	6,825	4.0%	517	8,316	4.1%	236	3,558	4.5%	234	3,341	3.8%
3	“Chek Hup (澤合)” 	Instant coffee and other instant drink powders	43	642	10,299	5.6%	423	8,425	5.0%	409	8,130	4.1%	201	3,841	4.9%	156	2,683	3.0%

BUSINESS

“UHA (味覺糖)” UHA 味覺糖

Established in Japan in 1949, UHA is one of the leading candy and confectionery brands in Japan. UHA stands for “Unique Human Adventure”, which seeks to offer not only delicious products, but also products with characteristics of (i) bringing transformation to create better pleasure and stimulation; (ii) bringing fulfilment to consumers’ wishes; and (iii) bringing abundance to consumers. UHA group companies were one of the leading confectionery and snacks companies in Japan, with four factories located in Japan and one factory located in Shanghai, the PRC as at 31 October 2017.

We offer an extensive selection of “UHA (味覺糖)” UHA 味覺糖 candies to our customers, including but not limited to, various soft and hard candies, fruit-like gummies, fruit juice candies, sour candies, milk candies, chocolates, and other snacks and confectioneries. During the Track Record Period, the number of SKUs of “UHA (味覺糖)” UHA 味覺糖 products we offered and supplied was approximately 315. “UHA (味覺糖)” UHA 味覺糖 products were distributed by us widely to supermarkets, pharmacies, convenience stores and department stores in Hong Kong.

Below are some of our principal products procured from the brand owner of UHA:



“Cororo” gummy



“e-ma” hard candy



“Tokuno” milk candy

We have established a business relationship with the brand owner of UHA since 1999. Before we entered into an exclusive agreement in 2017, we did not enter into any long-term or exclusive distributorship agreement with the brand owner of UHA. For details of purchase orders with the brand owner of UHA prior to the signing of the exclusive agreement, please see “Business — Distribution Business — Salient terms of a typical purchase transactions”. On 28 July 2017, we entered into an exclusive distributorship agreement with the brand owner of UHA. The major terms of the exclusive distributorship agreement are set out below:

Term of the agreement	:	An initial term of five years from 1 August 2017
Territory	:	Hong Kong and Macau
Exclusivity	:	Our Group is appointed as the sole and exclusive distributor of the UHA branded confectionery food products
Warranty	:	The brand owner of UHA shall provide consumable, merchantable and defect-free products to our Group

BUSINESS

Indemnity	:	The brand owner of UHA shall indemnify our Group from any liabilities out of (i) products defect; and (ii) breach of warranties, laws and order terms by the brand owner of UHA, except for fraud or negligence on our part
Termination	:	Either party may terminate the distributorship agreement with three months' prior notice in writing to the other party
Renewal	:	Automatically renewed for successive periods of one year after expiry of the then current term
Promotional fee	:	To be agreed by the parties annually
Royalty	:	Nil
Payment arrangement	:	To be agreed by the parties at each purchase order and payments were generally made upon receipt of invoice by way of telegraphic transfer

“Hsin Tung Yang (新東陽)” **新東陽**
HSIN TUNG YANG

Hsin Tung Yang (新東陽) was established in Taipei, Taiwan in 1967. Hsin Tung Yang (新東陽) group companies have a long history of production and sales of beef and pork snacks including floss, jerky and sausages.

During the Track Record Period, we distributed “Hsin Tung Yang (新東陽)” **新東陽** pork floss, pork jerky, pineapple pastries and Taiwanese vermicelli, etc. During the Track Record Period, the number of SKUs of “Hsin Tung Yang (新東陽)” **新東陽** products offered and supplied by us were approximately 203. “Hsin Tung Yang (新東陽)” **新東陽** products were distributed by us widely to supermarkets and convenience stores in Hong Kong.

Below are some of our principal products procured from the brand owner of “Hsin Tung Yang (新東陽)” **新東陽**:
HSIN TUNG YANG



Beef jerky



Pork floss



Pork jerky

BUSINESS




In 2013, we entered into our first non-exclusive distributorship agreement with the brand owner of Hsin Tung Yang, which has been renewed annually. The major terms of the existing exclusive distributorship agreement, which are largely identical to the previous agreements except that it was previously non-exclusive in nature, are set out below:

Term of the agreement	:	One year from 1 January 2018
Territory	:	Hong Kong and Macau
Exclusivity	:	Our Group is appointed as the sole and exclusive distributor of the Hsin Tung Yang branded confectionary foods
Minimum purchase amounts	:	A minimum of 25 full container loads of 20-foot long per year
Yearly sales target	:	HK\$8,300,000
Sales and inventory reports and estimates	:	Our Group is responsible to set purchase schedule and sales plan each month according to the annual sales target
Promotional fees	:	The brand owner of Hsin Tung Yang shall sponsor the promotional activities organised by our Group not exceeding 2% of the annual purchase amount if we are able to fulfil the yearly sales target
Sales rebate	:	2% upon achievement of the yearly sales target
Payment method	:	Telegraphic transfer
Credit terms	:	Within seven days of shipment
Termination	:	Either party may terminate the distributorship agreement with 60 days' prior notice in writing to the other party if either party (i) has breached any terms in the distributorship agreement, (ii) has overdue payment of over 45 days, or (iii) has breached the laws of Hong Kong or Taiwan. The brand owner of Hsin Tung Yang may also terminate the distributorship agreement if we fail to meet 80% of the yearly sales target for three consecutive quarters
Renewal	:	Either party shall renew the agreement within six months prior to the expiry of the term of the agreement

BUSINESS

“Chek Hup (澤合)”  CHEKHUP

Chek Hup was established in Ipoh, Malaysia in 1965. Chek Hup group companies are dedicated to producing high quality instant coffee drinks. Chek Hup group companies produce their instant coffee products by using handpicked coffee beans, roasting at high temperature, using premium rock sugar, and mixing the ingredients at optimal proportion.

During the Track Record Period, we distributed “Chek Hup (澤合)”  CHEKHUP instant coffee and other instant drink powders. During the Track Record Period, the number of SKUs of “Chek Hup (澤合)”  CHEKHUP products offered and supplied by us were approximately 43. “Chek Hup (澤合)”  CHEKHUP products were distributed by us widely to supermarkets, pharmacies and convenience stores in Hong Kong.

Below is our principal product for this brand:



3 in 1 Ipoh White Coffee

In 2011, we entered into our first exclusive distributorship agreement with the brand owner of Chek Hup. In 2014, the exclusive distributorship agreement was renewed for a term of three years until 2017. On 1 July 2017, we further renewed the exclusive distributorship agreement with the brand owner of Chek Hup. The major terms of the existing exclusive distributorship agreement, which are largely identical to the previous agreement, are set out below:

Term of the agreement	:	Three years from 1 July 2017
Territory	:	Hong Kong and Macau
Exclusivity		Our Group is appointed as the sole and exclusive distributor of the Chek Hup branded instant beverage products
Termination	:	Either party may terminate the distributorship agreement with three months' prior notice in writing to the other party
Credit and payment terms	:	Our Group shall pay for the products in full prior to their delivery

BUSINESS

Indemnity : The brand owner of Chek Hup shall indemnify our Group from damages out of intellectual property infringement by any company or individual in Hong Kong

Customers

Our customers could be either retailers (such as supermarket, convenience store and department store chains) or trading companies. The following table provides the respective revenue contribution from different types of customers under the Distribution Business in terms of the respective revenue contribution during the Track Record Period:

Customer type	For the year ended 31 March						For the five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue
Supermarket chains	67,605	27.9%	63,074	28.6%	75,255	31.0%	25,672	27.7%	30,019	31.2%
Convenience store chains	25,549	10.6%	23,446	10.6%	29,833	12.3%	12,817	13.8%	13,116	13.6%
Pharmacy chains	20,677	8.5%	20,076	9.1%	20,679	8.5%	6,555	7.1%	6,858	7.1%
Department stores	32,516	13.4%	28,654	13.0%	26,369	10.8%	10,948	11.8%	12,692	13.2%
Trading companies	55,761	23.0%	40,520	18.4%	44,796	18.4%	18,506	20.0%	13,926	14.5%
Others ^(Note)	39,833	16.6%	44,836	20.3%	46,143	19.0%	18,255	19.6%	19,676	20.4%
Total	241,941	100.0%	220,606	100.0%	243,075	100.0%	92,753	100.0%	96,287	100.0%

Note: Others include individual and chain retail outlets.

The following table provides the respective numbers of retail outlets on an aggregated basis of our major customers as at 31 October 2017:

Customer type	Approximate number of retail outlets
Supermarket chains	over 630
Convenience store chains	over 1,300
Pharmacy stores	over 500
Department stores	over 70
Total	over 2,500

BUSINESS

Salient terms of a typical sales transaction

Save for the sales framework agreement entered into with New Odaiba, which is required under the Listing Rules (details of which are set out in “Connected Transactions — Exempt continuing connected transactions — 2. Sales of products by our Group”), we did not enter into any long-term framework agreements with the retailers in line with industry practice. In a typical sales transaction, the retailers place a purchase order with the Group, and we confirm the purchase by issuing a sales invoice in return. The salient terms of a typical sales transaction to a retailer are as follows:

Product type	: The type of products, including the item number, flavour, packaging size and weight, is specified
Order details	: Quantities and unit prices of products ordered are specified
Credit terms	: Our Group generally grants a credit period of up to 120 days to its major customers based on factors such as years of business relationship, their reputation and payment history
Delivery details	: Delivery schedule and destination are specified and we are usually responsible for delivering the products to customers’ designated warehouses

Relationships with trading companies

During the Track Record Period, the majority of our products were sold to large retail chains in Hong Kong with wide distribution networks. We believe our products have been widely distributed enough in Hong Kong, and there is no commercial reason for us to rely on distributors or trading companies to expand our distribution network. However, for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, we had approximately 24, 24, 21 and 19 trading companies purchasing products from us. The following table sets forth the movement of the number of trading companies during the Track Record Period:

	<u>Number of trading companies</u>
Repeated trading companies during the year ended 31 March 2015 ^(Note 1)	24
New trading companies during the year ended 31 March 2015 ^(Note 2)	Nil
Repeated trading companies during the year ended 31 March 2016 ^(Note 1)	24
New trading companies during the year ended 31 March 2016 ^(Note 2)	Nil
Repeated trading companies during the year ended 31 March 2017 ^(Note 1)	16
New trading companies during the year ended 31 March 2017 ^(Note 2)	5
Repeated trading companies during the five months ended 31 August 2017 ^(Note 1)	16
New trading companies during the five months ended 31 August 2017 ^(Note 2)	3

Notes:

1. Refers to the number of trading companies which purchased products from us both in the relevant financial period and in previous financial period.
2. Refers to the number of trading companies which started to purchase products from us in the relevant financial period, but none of them was our repeated trading companies.

Our sales to such trading companies were largely identical to that of retailers and we sold our products to them on an outright basis. We did not enter into any long-term agreements or any other arrangements with such trading companies to govern our sales to them or to control their distribution. Such trading companies may distribute our products at their discretion.

Supply chain solutions

We provide supply chain solutions to both brand owners and local retailers in our distribution process and procedures. Our supply chain solutions include, inter alia, (i) arranging inbound logistics; (ii) ensuring that the food labels are in compliance with relevant Hong Kong food safety and labelling laws; (iii) repackaging the products to suit the needs of the retailers or the customers; and (iv) formulating marketing and sales strategies, including advising on retail prices, organising promotional campaigns and designing and producing display racks or stands to be placed at the points of sales.

Distribution process and procedures

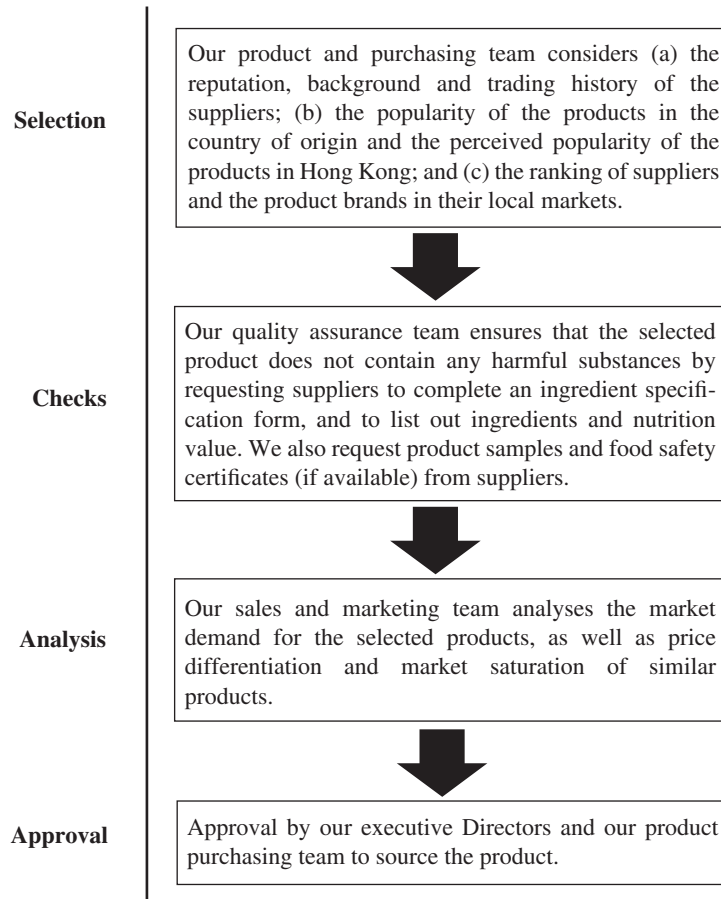
Set out below are the typical distribution process and procedures, in which details of our supply chain solutions are explained:

Sourcing and initiation

We constantly strive to explore new suitable brands or products and introduce them to the Hong Kong market, which are beneficial to both brand owners and retailers. From the brand owners' perspective, we are able to expand their revenue sources and from the local retailers' perspective, we are able to diversify their product portfolio. To enable us to obtain more information on new brands and products, we obtain regular updates from our existing brand owners regarding their launch of new products, and updates from new brand owners by attending international food and beverage trade shows. We carefully select brands and products with good potential growth in the Hong Kong market based on our market research, and we approach relevant brand owners and initiate negotiation and procurement process as and when appropriate.

BUSINESS

We apply stringent criteria to select, analyse and approve new brands or products. Our typical selection and review process can be summarised as follows:



Pre-launch marketing

Before a product is formally launched into the Hong Kong market, we generally conduct the following pre-launch marketing activities to ensure the product will be widely distributed to and well-received by Hong Kong consumers, which is beneficial to both brand owners and retailers:

- Our sales and marketing department obtains sample products from the suppliers and then presents the sample products to the target retailers in Hong Kong. We recommend on retail prices and marketing strategies to the retailers and for the products to be listed at their retail outlets. We negotiate the appropriate product promotion fees payable by us to retailers.
- In recommending the retail prices, we take into account factors including our wholesale prices, prevailing market prices and anticipated market demand, etc.
- For the marketing strategies, our design team may design and produce designated eye-catching and appealing display racks or stands to be placed at retail outlets to catch the attention of target consumers. Our sales and marketing team and design team may

BUSINESS

provide suggestions to brand owners on package designs that appeal to Hong Kong consumers' tastes and package size that suits the needs of our customers and consumers (e.g. family packs are sold in supermarkets while individual packs are preferred in convenience stores).

- For product promotion fees, we may consider prioritising our product supply to customers who can offer more favourable terms and more competitive product promotion fees, from whom we can derive higher profit margins.

Procurement and warehousing

Our procurement team places purchase orders with our suppliers specifying the product quantities and delivery terms. It normally takes around four to six weeks from placing a purchase order with our suppliers to the delivery of products to our warehouse. We need to maintain a sufficient level of inventory to meet retailers' needs based on our sales projection taking into account the historical orders made by our customers as monitored by our ERP system, end consumer demand, market trend and expected promotional plans. Our procurement team monitors the inventory level on a daily basis. When our inventory falls below a certain level, our procurement team would place purchase orders with our suppliers. Please see “— Inventory management and logistics” for details. Once the products are delivered to our warehouses, our warehouse team will carry out stock check, repack the products when necessary and arrange for delivery of the products to the customers.

As at the Latest Practicable Date, all the products procured from our suppliers were stored at our four rented warehouses in Yau Tong, Hong Kong. The total gross floor area of the warehouses in Yau Tong, Hong Kong is approximately 46,280 sq.ft. with designated storage capacity of approximately 2,995 CBM, 176 CBM of which is the cold storage facility used to store fresh eggs, chocolate and other perishable products which require optimal temperature storage. We have entered into, and are expected to continue after the Listing, certain continuing connected transactions with (i) Best Source and (ii) Best Source and Ms. Janny Tin, respectively, for the leasing of certain properties, including warehouses in Yau Tong, Hong Kong. Please see “Connected Transactions — Non-exempt continuing connected transactions — 1. Leasing of properties to our Group” for details. For the years ended 31 March 2015, 2016, 2017 and the five months ended 31 August 2016 and 2017, our warehouses achieved aggregate storage utilisation rate of approximately 111.9%, 95.9%, 114.8%, 110.9% and 114.6%, respectively.

BUSINESS

The table below sets forth the details of our rented warehouses and their storage utilisation rates for the periods indicated below:

Property	Approximate total gross floor area of property (sq. ft.)	Approximate total actual floor area of property (sq. ft.)	Designated storage capacity of warehouse (Note 1) (CBM)	Storage utilisation rate ^(Note 2)				
				For the year ended 31 March			For the five months ended 31 August	
				2015	2016	2017	2016	2017
Unit A1, 2/F, Unit A2, 2/F, Unit A1, 4/F, and Unit B3, 5/F, Block B, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon, Hong Kong	46,280	35,757	2,995	111.9%	95.9%	114.8%	110.9%	114.6%

Notes:

- Designated storage capacity is derived from (i) the actual floor area that can generally be used for storage purposes in our warehouse premises (including cargo storage area and cold storage area) during the Track Record Period; and (ii) optimal height that products can be stacked up for storage in the cargo storage area and cold storage area.
- Storage utilisation rate for a particular period is calculated by the average storage area required for the total cubic metres of the inventory stock stored in the warehouse over designated storage capacity throughout that particular period. For the purpose of calculating the average storage area required for the total CBM of the inventory stock stored in the warehouse, (i) volume of products in CBM is measured by the actual total number of shipments delivered to our Group on a monthly basis; and (ii) the aggregated volume of products in CBM over the average inventory turnover times for a particular period.

During the Track Record Period, the storage utilisation rates of our warehouses generally exceeded 100% because during peak seasons, and in order to meet our storage needs, we stacked up the products over the optimal height and/or placed inventories in the passageways for short periods of time on an as-needed basis and in a fire safety compliant manner. However, these are only interim and contingent measures to increase our storage capacity in the short term. In order to resolve the storage shortage issue and in line with our strategy to further enrich our product portfolio, our Group plans to increase our warehouse storage space to store our products and to support our expected growth. Please see “— Our strategies — Increase warehouse facilities to expand storage capacity.” for details.

Labelling and repackaging

To ensure compliance with Hong Kong laws, we produce and place (or request suppliers to place) food labels printed with appropriate ingredients lists, expiry dates and food nutrition facts on the products in accordance with relevant Hong Kong food safety and labelling laws. Please see “The Laws and Regulations Relating to the Industry” for details. Also, certain products procured from our suppliers are in bulk quantity, which are repacked by us into smaller quantities to cater to the different needs of our customers and consumers and to cope with the marketing plans. For instance, we repackage candies that we order in bulk into small packs, thereby making them more affordable and convenient to the consumers who purchase at convenience stores.

Customer order handling

Upon receipt of the purchase orders from our customers, we conduct a stock check to ensure that there is stock available to fulfil the purchase orders. If there is sufficient stock available, our logistics team collects the products from our warehouses facilities, conducts condition checks and arranges for repackaging when required and delivery to our customers within the delivery time frame as agreed under the purchase orders. In the event that we do not have sufficient stock to satisfy the purchase orders, we discuss with our customers with a view to scheduling the delivery timeframe, taking into account shipment schedule, and our procurement team promptly procures the required products from our suppliers.

Follow-up services

Our sales and marketing team is dedicated to providing follow-up services to both our suppliers and customers. We have assigned sales representatives to each of our customers to manage customer relationships and the marketing activities, and to keep track of the sales of the products to consumers. For some of our products, we report to our suppliers on the sales progress and feedback gathered from our customers and consumers, and the overall market trend.

Our sales and marketing department works closely with our customers to further promote the products by way of arranging food tastings at retail outlets, promoting the brands and products at trade fairs such as Food Expo and the Hong Kong Brands and Products Expo Fair, arranging in-store displays and lucky draws, and advertising through traditional or social media. To promote the brand awareness of our products, we also place advertisements in local newspaper, magazines and public transportation. For our promotional sales, please see “— Marketing and promotion” for details.

In addition, our sales and marketing team is responsible for providing follow-up services and responding to customer’s enquiries and complaints on a timely basis. To ensure our customers are satisfied with our services, we generally accept returns or exchange for defective products damaged during our delivery. Also, if the products are found to have quality problems, such as the ingredients are found to be prohibited according to Hong Kong laws, we would be responsible for product recall from all customers and we would need to incur all the relevant recall charges. If the quality problem is found to be caused by the supplier, such as changing the ingredients in the products without notifying us, we may be reimbursed by the supplier for all the recall charges that we incur. Other than the above, we generally do not allow product returns or offer any warranties for our products and products sold to our customers are not refundable. During the Track Record Period, our product recall incidents and the total product return and compensation claims were insignificant. Our Group did not experience any major complaints from our customers or any regulatory bodies in respect of our products or otherwise leading to a major product recall during the Track Record Period and up to the Latest Practicable Date. Please see “— Quality control — Food safety” for more details.




BUSINESS

RETAIL BUSINESS

Retail model




We principally prepare and/or sell overseas branded food and beverage products at our self-operated retail outlets in Hong Kong. As at the Latest Practicable Date, we had 42 self-operated retail outlets set up by us and we managed one retail outlet pursuant to a management agreement. As at the Latest Practicable Date, we were licenced to set up and operate retail outlets for a few overseas food and beverage brands in Hong Kong.

The table below sets forth a breakdown of our gross profit and gross profit margin by brands under the Retail Business during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HKS'000	%	HKS'000	%	HKS'000	%	HKS'000 (Unaudited)	%	HKS'000	%
“TenRen (天仁茗茶)” 	2,878	7.7%	8,730	12.2%	19,654	17.7%	7,719	18.4%	14,591	21.6%
“Uncle Tetsu (徹思叔叔)”  (Note 1)	N/A	N/A	507	13.6%	2,076	22.2%	993	21.7%	27	0.8%
“Hotel Chocolat”  (Note 2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	40	5.0%
Others (Note 3)	939	29.8%	767	20.4%	213	4.8%	293	14.5%	424	26.5%
Total/overall	3,817	9.4%	10,004	12.6%	21,943	17.6%	9,005	18.6%	15,082	20.5%


Notes:

1. We opened our first “Uncle Tetsu (徹思叔叔)”  retail outlet in December 2015.
2. We opened our first “Hotel Chocolat”  retail outlet in April 2017.
3. Others mainly include a Taiwanese candy brand.

The increase of our gross profit of our Retail Business during the Track Record Period was mainly due to the increase of the gross profit from our “TenRen (天仁茗茶)”  retail outlets driven by the continuous growth in our revenue. While the continued increase in the gross profit margin of our Retail Business during the Track Record Period was mainly due to the increase in demand of certain “TenRen (天仁茗茶)”  products during the Track Record Period which had higher sales margins. The relatively low gross profit and gross profit margin for our “Uncle Tetsu (徹思叔叔)”  for the five months ended 31 August 2017 were mainly due to the decrease in revenue generated from such retail outlets owing to lack of continuous marketing activities.


BUSINESS


The details of our brands under the Retail Business which we operated as at the Latest Practicable Date are as follows:

“TenRen (天仁茗茶)”  天仁茗茶


Brand information and financial contribution

Founded in Taiwan in 1953, TenRen group companies are dedicated to the fine art of enjoying Chinese tea and the distribution of the finest teas available. As at 31 October 2017, TenRen group companies have more than 211 retail locations worldwide spanning Taiwan, Japan, Singapore, Malaysia, Hong Kong, Canada, Australia and North America. Operated under the motto of “A Traditional Business Under Modern Management”, TenRen group companies own and operate five tea manufacturing plants incorporating modern technology into traditional tea-leaf processing.

Our licenced “TenRen (天仁茗茶)”  天仁茗茶 retail outlet chain was our largest revenue contributor under the Retail Business and constituted approximately 92.2%, 90.6%, 88.9%, 86.4% and 92.0% of our retail revenue during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, respectively.

According to the Industry Report, our “TenRen (天仁茗茶)”  天仁茗茶 retail outlets ranked first by revenue with a market share of approximately 24.3% of the tea drinks chain market in Hong Kong for the period from 1 November 2016 to 31 October 2017.

Product offerings and making

We primarily offer and prepare Taiwanese tea-based, takeaway drinks at our self-operated “TenRen (天仁茗茶)”  天仁茗茶 retail outlets. Our drinks are made-to-order and ready-to-consume, using freshly-brewed, highly-concentrated and premium tea base. Our drinks are categorised into five series, namely the milk tea series, the classic tea series, the fresh fruit tea series, the icy drink series and the winter decaf series. The retail price of our drinks ranges between HK\$13 and HK\$38 per 450-ml cup as at the Latest Practicable Date. For each choice of our products, we allow our customers to tailor-make their drinks with paid choices of adding on tapioca balls and jellies, as well as free choices on the level of ice and syrup. To be a green company, we encourage our customers to bring their own bottles by granting discounts. In addition to the beverage products, we also offer tea-flavoured ice-cream (ranging from HK\$23 to HK\$30 per item), packaged tea leaves (ranging from HK\$39.9 to HK\$7,800 per item), packaged snacks (ranging from HK\$16 to HK\$98 per item) as well as tea wares (ranging from HK\$70 to HK\$2,880 per item) at our retail outlets as at the Latest Practicable Date.

BUSINESS

Below are some of our principal products offered at our “TenRen (天仁茗茶)” 天仁茗茶 retail outlets:



“913 King” Oolong Tea



“913 King” Oolong Milk Tea



Orange Green Tea

The product making process is required to strictly follow the recipe licenced to us. Personnel from the brand owner of TenRen would regularly inspect our preparation process in Hong Kong and examine the quality of products sold, as well as the hygiene and workplace safety of our retail outlets on a regular basis.

The following table set forth the revenue contribution from our “TenRen (天仁茗茶)” 天仁茗茶 retail outlets in terms of product type during the Track Record Period:

Product type	For the year ended 31 March						For the five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	% of total revenue (Note 2)	HK\$'000	% of total revenue (Note 2)	HK\$'000	% of total revenue (Note 2)	HK\$'000	% of total revenue (Note 2)	HK\$'000	% of total revenue (Note 2)
Beverage products	32,414	86.5%	60,354	84.2%	97,622	87.9%	35,853	85.6%	61,437	90.9%
Side products (Note 1)	5,049	13.5%	11,331	15.8%	13,454	12.1%	6,023	14.4%	6,133	9.1%
Total	37,463	100.0%	71,685	100.0%	111,076	100.0%	41,876	100.0%	67,570	100.0%


Notes:

- Side products include tea-flavoured ice cream, packaged tea leaves, packaged snacks and tea wares.
- This represents % of total revenue of our “TenRen (天仁茗茶)” 天仁茗茶 retail outlets.

Sourcing

Except for perishable items (e.g. fresh vegetables and fresh fruits sourced on a daily basis from local suppliers), we source all of our raw materials (namely tea leaves, honey syrup and creamer powder, etc.) from the brand owner of TenRen for our “TenRen (天仁茗茶)” 天仁茗茶 retail outlets in Hong Kong.

BUSINESS

The brand owner of TenRen was one of our five largest suppliers during the Track Record Period. The majority of our supplies from the brand owner of TenRen are for our beverage and other products offered and sold at our “TenRen (天仁茗茶)”  retail outlets, while the remaining of which are for our Distribution Business.

Retail network

Our first “TenRen (天仁茗茶)”  outlet was a concessionary counter established in Causeway Bay, Hong Kong in 2012 and in five years’ time, up to the Latest Practicable Date, our “TenRen (天仁茗茶)”  retail network in Hong Kong expanded quickly into a network of 32 retail outlets. The following table provides a list of all “TenRen (天仁茗茶)”  retail outlets opened and/or relocated since 2012 and up to the Latest Practicable Date in chronological order:

Number	Date of Opening	Location in Hong Kong	Status
1	10 August 2012	Shop L1005 and L1006, Eslite Book Store, 10/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong	Active <i>(Note 1)</i>
2	27 March 2013	Shop 10, G/F, Well View Commercial Building, No. 8–12 Morrison Street, Sheung Wan, Hong Kong	Active
3	28 June 2013	Counter TW-4-007, Level 4, YATA Department Store, Tsuen Wan Plaza, 4 Tai Pa Street Tsuen Wan, New Territories	Active
4a	21 November 2013	Shop A, G/F, Hong Kong Mansion, Nos. 137–147 Lockhart Road, Nos. 4A–4C O’Brien Road, Wah Chai, Hong Kong	Relocated to No. 4b below <i>(Note 2)</i>
4b	19 September 2017	G/F, No.151 Hennessy Road, Wan Chai, Hong Kong	Active
5	17 March 2014	Shop No. 4, G/F, Rejoice Court, No. 18 Fa Yuen Street, Mongkok, Kowloon	Active
6	26 May 2014	Shop 401, PIAGO, Level 4, Telford Plaza II, Kowloon Bay, Kowloon	Active
7	25 September 2014	Counter KT-004, YATA Supermarket, Lower Ground Level, apm, Millennium City 5, 418 Kwun Tong Road, Kwun Tong, Kowloon	Active
8	22 December 2014	Shop 2038, Level 2, Metro City Phase II, Tseung Kwan O, New Territories	Active

BUSINESS

Number	Date of Opening	Location in Hong Kong	Status
9a	1 February 2015	Shop 2038 and 2039A, Level 2, Sunshine City Plaza, No. 18 On Luk Street, Shatin, New Territories	Closed in December 2017 and expected to be relocated to No. 9b below in March 2018
9b	Expected to open in March 2018	Shop No. 340C, 3/F, Ma On Shan Plaza, No. 608 Sai Sha Road, Ma On Shan, New Territories	Setting up
10	17 February 2015	Unit UN2-06, UNY, Level 2, Lok Fu Plaza, Lok Fu Estate, 198 Junction Road, Lok Fu, Kowloon	Active
11	30 April 2015	Kiosk 2A, G/F, Aberdeen Centre Site 4, Aberdeen, Hong Kong	Active
12	23 June 2015	Shop MKK2, Mongkok East MTR Station, Mongkok, Kowloon	Active
13a	28 June 2015	Shop C, Unit GB, G/F, Kwong Wah Centre, Nos. 34, 38-46 Fou Tsoi Street, Yuen Long, New Territories	Relocated to No. 13b below <i>(Note 2)</i>
13b	8 May 2017	Shop No. 6, G/F, KOLOUR, No. 1 Kau Yuk Road and Nos. 36-46, Tai Tong Road, Yuen Long, New Territories	Active
14	27 August 2015	Shop B, G/F, Ming Fat Mansion, No. 5 Bute Street, Mongkok, Kowloon	Active
15	18 September 2015	Counter TM4-005, YATA Supermarket, G/F, V City, 83 Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories	Active
16	1 October 2015	Counter L222, Eslite Spectrum, 2/F, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon	Active
17	6 January 2016	Counter L110C, Eslite Spectrum, Level 2, Cityplaza, Tai Koo Shing, Hong Kong	Active
18	7 April 2016	Shop Nos. 050-051, Level 2, Zone A, Tai Po Mega Mall, Tai Po, New Territories	Active

BUSINESS

Number	Date of Opening	Location in Hong Kong	Status
19	20 July 2016	Kiosk, 2/F, KOLOUR, Tsuen Wan I, No. 68 Chung On Street, Tsuen Wan, New Territories	Active
20	17 October 2016	D14-15, Level 1, Lab Concept, Queensway Plaza, 93 Queensway, Admiralty, Hong Kong	Active
21	23 November 2016	Shop No. 182, Level 1, Metroplaza, Kwai Chung, New Territories	Active
22	2 December 2016	Shop No. TAP 20, Tai Po Market MTR Station, Tai Po, New Territories	Active
23	22 December 2016	Shop No. HOK 69, Hong Kong MTR Station, Central, Hong Kong	Active
24	22 December 2016	Shop A, G/F, Mongkok Building, No. 546 Nathan Road, Kowloon	Active
25	1 April 2017	Shop C, G/F with Cockloft Store, Merlin Building, No. 30, 32 and 34 Cochrane Street, Central, Hong Kong	Active
26	7 April 2017	Shop Unit 1, CityLink Plaza, No. 1 Sha Tin Circuit, Sha Tin, New Territories	Active
27	1 June 2017	Shop No. G102A, G/F, Plaza Hollywood, Diamond Hill, Kowloon	Active
28	14 July 2017	Counter TKO-10-005B, Shop No. 222, YATA Supermarket, Level 2, East Point City, 8 Chung Wai Road, Tseung Kwan O, New Territories	Active
29	10 August 2017	Shop No. G08B, Ground Floor, Stanley Plaza, Ma Hang Estate, 23 and 33 Carmel Road, Stanley, Hong Kong	Active
30	7 December 2017	Shop No. 2211, Level 2, Sheung Shui Centre, 3 Chi Cheong Road, Sheung Shui, New Territories	Active
31	16 December 2017	Unit 227, Level 2, Maritime Square, 33 Tsing King Road, Tsing Yi, New Territories	Active
32	29 December 2017	Shop No. 39, Level 3, North Wing, Trend Plaza, 2 Tuen Lung Street, Tuen Mun, New Territories	Active

BUSINESS

Number	Date of Opening	Location in Hong Kong	Status
33	22 January 2018	Shop TIS 44, Tin Shui Wai MTR Station, Tin Shui Wai, New Territories	Active
34	Expected to open in April 2018	Shop No. G1, G/F, Tai On Building, Nos. 57–87 Shau Kei Wan Road, Shau Kei Wan, Hong Kong	Setting up
35	Expected to open in May 2018	Shop No. 201, 1/F, Fanling Centre, No. 33 San Wan Road, Fanling, New Territories	Setting up

Notes:

- (1) This outlet has been expanded by leasing the adjacent Shop L1005 since 2016.
- (2) This outlet was relocated to a new location in the same district when the relevant lease agreement of the previous location expired.

The table below sets out the movement of the number of our “TenRen (天仁茗茶)” 天仁茗茶 retail outlets during the Track Record Period and up to the Latest Practicable Date:

	Number of our outlets
As at 1 April 2014	5
Addition during the year ended 31 March 2015	5
Closure during the year ended 31 March 2015	Nil
As at 31 March 2015	10
Addition during the year ended 31 March 2016	7
Closure during the year ended 31 March 2016	Nil
As at 31 March 2016	17
Addition during the year ended 31 March 2017	7
Closure during the year ended 31 March 2017	Nil
As at 31 March 2017	24
Addition during the five months ended 31 August 2017	5
Closure during the five months ended 31 August 2017	Nil
As at 31 August 2017	29
Addition from 1 September 2017 and up to the Latest Practicable Date	4
Closure from 1 September 2017 and up to the Latest Practicable Date <i>(Note)</i>	1
Total	32

Note: The lease of one of our “TenRen (天仁茗茶)” 天仁茗茶 retail outlets expired in December 2017, and the retail outlet is expected to be relocated in March 2018.

BUSINESS

We plan to open around one (i.e. the outlet which closed down temporarily and pending relocation), eight and eight additional “TenRen (天仁茗茶)” 天仁茗茶 retail outlets in total from the Latest Practicable Date to 31 March 2018 and for each of the years ending 31 March 2019 and 2020, respectively. As at the Latest Practicable Date, we have entered into lease agreements for two of the new retail outlets which are planned to be opened during the second quarter of 2018.

Our “TenRen (天仁茗茶)” 天仁茗茶 retail network spans across Hong Kong Island, Kowloon and the New Territories in Hong Kong. The following graph shows the geographical distribution of our “TenRen (天仁茗茶)” 天仁茗茶 retail network in Hong Kong as at the Latest Practicable Date:



BUSINESS

Site selection and retail management

When selecting a new retail outlet location, we normally take into account: (i) the size of the premises and potential profitability including an evaluation of estimated incoming cashflow against costs of set-up and rental expenses; (ii) locations where we have not yet established a presence; (iii) the number of competitors proximate to the selected retail outlet location and the overall district; (iv) the demography and proportion of our target consumers in a district; and (v) other factors including the spending patterns of our target consumers and their purchasing power with regard to our products, accessibility of the location to our target consumers and estimated consumer flow.

Our retail business team is responsible for the retail management of our “TenRen (天仁茗茶)” 天仁茗茶 retail outlets in Hong Kong. As at 31 August 2017, we had 350 staff for the operation of our “TenRen (天仁茗茶)” 天仁茗茶 retail outlets in Hong Kong including seven regional supervisors, each of whom oversaw the overall management and operation at the district level. Every retail outlet is overseen by a shop manager who reports to the regional supervisor. Generally, the shop manager monitors the sufficiency and condition of raw materials, such as physical appearance and expiry dates, keeps track of the quantity of products sold and manages cash handling. Our retail business team holds regular meetings with shop managers and conducts on-site inspections at our retail outlets to ensure the requirements as prescribed by the brand owner of TenRen are complied with.

Overall financial performance

The average selling price of our “TenRen (天仁茗茶)” 天仁茗茶 beverage products increased slightly during the Track Record Period primarily because we raised our prices in light of inflation and rising raw material costs and rental expenses. On the other hand, the average selling price of the side products fluctuated during the Track Record Period when the sales of the higher-priced tea ware products also fluctuated. The average daily sales volume of the beverage products increased throughout the Track Record Period mainly due to the increase in the number of our retail outlets. The following table sets forth the average selling price and average daily sales volume of our “TenRen (天仁茗茶)” 天仁茗茶 products for the periods indicated:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
Average selling price (HK\$)					
Beverage products (per cup)	19.3	20.0	20.3	20.2	20.6
Side products (per unit) ^(Note)	59.8	27.2	25.4	23.8	26.4
Average daily sales volume					
Beverage products					
(in thousand cups)	4.6	8.2	13.2	11.6	19.5
Side products					
(in thousand units) ^(Note)	0.2	1.1	1.4	1.7	1.5

Note: Side products include tea-favoured ice cream, package tea leaves, packaged snacks and tea wares.

BUSINESS

The gross profit margin is calculated as retail revenue less cost of sales, including rental and related expenses and staff cost divided by total revenue from “TenRen (天仁茗茶)” 天仁茗茶 retail outlets, which were approximately 7.7%, 12.2%, 17.7%, 18.4% and 21.6% for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, respectively.

Same store sales performance

Our growth in revenue from our “TenRen (天仁茗茶)” 天仁茗茶 retail outlets during the Track Record Period was not only driven by the expansion of our retail network in terms of number of retail outlets, but also by our ability to grow our sales within the existing outlets. We evaluate our growth within the existing outlets by calculating the average same-store sales growth, which compares average revenue derived from outlets that were in operation throughout the financial periods compared. The following table sets forth the average same-store sales performance of our “TenRen (天仁茗茶)” 天仁茗茶 retail outlets during the Track Record Period:


	Year ended 31 March		Year ended 31 March		Five months ended 31 August	
	2015	2016	2016	2017	2016	2017
Number of same-store		10		17		19
Average same-store sales	HK\$3.7 million	HK\$4.0 million	HK\$4.2 million	HK\$4.6 million	HK\$2.2 million	HK\$2.4 million
Average same-store sales growth rate		5.7%		8.9%		9.4%

Licence from the brand owner of TenRen

We were first licenced by the brand owner of TenRen to open the first retail outlet in Hong Kong in 2012, which was for a term of five years. Throughout the years until we entered into the master licencing agreement with the brand owner of TenRen on 10 October 2017, we entered into individual agreements for each of our retail outlets with the brand owner of TenRen for a term of five years with various commencement dates. In view of our growing retail network and in order to ensure the consistency of all of our agreements with the brand owner of TenRen, we entered into the master licencing agreement with the brand owner of TenRen to replace the individual agreements.

Set out below are the major terms of the master licencing agreement:


- *Date* — 10 October 2017.
- *Scope* — licence to use the trademarks to set up and operate “TenRen (天仁茗茶)” 天仁茗茶 retail outlets to sell “TenRen (天仁茗茶)” 天仁茗茶 products.
- *Exclusivity* — the only licensee in Hong Kong.
- *Sub-licence* — not allowed.
- *Licence period* — 10 years with a right to renew for another five years upon written consent of the brand owner of TenRen.


- *Royalty* — 2% of monthly gross revenue payable semi-annually.
- *Territory* — Hong Kong.
- *Non-competition* — the brand owner of TenRen undertakes not to open self-owned stores and distribute “TenRen (天仁茗茶)”  products through retail or wholesale in Hong Kong.

Our Directors confirm that we had not breached any material terms of the master licencing agreement with the brand owner of TenRen during the Track Record Period and up the Latest Practicable Date.


“Uncle Tetsu (徹思叔叔)” 

Brand information and financial contribution

Founded in Fukuoka, Japan in 1985, “Uncle Tetsu (徹思叔叔)”  signature Japanese cheesecakes have been widely recognised in over 18 countries worldwide, with more than 70 retail outlets in Japan, Taiwan, Hong Kong, Canada, Hawaii, Indonesia and Singapore, as at 31 October 2017.

Our licenced “Uncle Tetsu (徹思叔叔)”  retail outlets contributed approximately nil, 4.7%, 7.5%, 9.4% and 4.7% of our retail revenue for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, respectively.

Product offerings and making

We primarily offer and prepare cheesecakes and other pastries at our self-operated “Uncle Tetsu (徹思叔叔)”  retail outlets. Our cheesecakes, which are famous for their strong cheese flavour and taste as well as their special fluffy texture, are freshly-baked and ready-to-consume. The retail prices of our bakery products range from HK\$16 to HK\$129 each.

To allow for more economical use of our retail staff and outlet space, we pre-mix or assort ingredients (namely fresh egg, milk, cream, butter and flour) at our central kitchen in Yau Tong, Hong Kong and to preserve freshness, the pre-mixed or assorted ingredients are transported to the retail locations with temperature control containers and trucks, and are baked fresh when customers place orders.

BUSINESS

Below are some of our principal products offered at our “Uncle Tetsu (徹思叔叔)” 🍪 retail outlets:



Cheesecake



Cheese tart



Panna cotta

The food making process needs to strictly follow the recipe licensed to us. Personnel from the brand owner of Uncle Tetsu would inspect our food making process in Hong Kong and examine the quality of cheesecakes and other products sold at our retail outlets.

Sourcing

We source most of our raw materials (namely cheese, butter, cream, milk and flour, etc.) from local suppliers in Hong Kong and we use the fresh eggs we distribute under the Distribution Business to achieve cross-selling.


Retail network



As at the Latest Practicable Date, we operated three “Uncle Tetsu (徹思叔叔)” 🍪 retail outlets. We opened our first “Uncle Tetsu (徹思叔叔)” 🍪 retail street shop in Causeway Bay in 2015, followed by the retail outlet opened in Mongkok and a retail outlet opened at a supermarket in Tseung Kwan O, Hong Kong in 2016 and 2017, respectively.

We started the “Uncle Tetsu (徹思叔叔)” 🍪 retail outlet business in Hong Kong in late 2015, and our retail outlets are set up in prime shopping districts, namely Causeway Bay and Mongkok, and Tseung Kwan O, a major residential district. Pursuant to our agreement with the brand owner of Uncle Tetsu, we are committed to opening one more retail outlet by the end of November 2018, and accordingly, we plan to open around nil, one and one retail outlets in locations with high pedestrian flow and consumption level in Hong Kong from the Latest Practicable Date to 31 March 2018 and for each of the years ending 31 March 2019 and 2020, respectively.

Our retail business team is responsible for the retail management of our “Uncle Tetsu (徹思叔叔)” 🍪 retail outlets. As at 31 August 2017, we had 19 staff members for the operation of our “Uncle Tetsu (徹思叔叔)” 🍪 retail outlets. Each retail outlet is assigned with a shop manager to oversee the general management and operation. The shop manager is responsible for reporting to our retail business department on a regular basis.

Licence from Uncle Tetsu


We entered into a written licence agreement with the brand owner of Uncle Tetsu for the set up and operation of “Uncle Tetsu (徹思叔叔)”  retail outlets. The salient terms of the licence agreement are as follows:

- *Licence period* — valid for 20 years from October 2015.
- *Territory* — Hong Kong.
- *Exclusivity* — exclusive licence to set up and operate “Uncle Tetsu (徹思叔叔)”  retail outlets and sell “Uncle Tetsu (徹思叔叔)”  products under the condition that our Group maintains and operates a minimum of four retail outlets from November 2018, failing which our licence may become non-exclusive.
- *Licence fees and rebate* — the franchise fee is US\$75,000 paid in three annual instalments of US\$25,000 (with the first two instalments paid as at the Latest Practicable Date and the final instalment to be paid in October 2018).
- *Royalty* — a running royalty of 2% of the revenue.
- *Non-competition* — we are prohibited from directly or indirectly engaging in, procuring any third party to engage in, or fund any business that competes or is similar to the cheesecake business within or outside Hong Kong during the licence period or three years after the termination or expiration of the agreement.

Our Directors confirm that we had not breached any material terms of the licence agreement with the brand owner of Uncle Tetsu during the Track Record Period and up to the Latest Practicable Date.


“Hotel Chocolat”

Brand information and financial contribution

Founded in the United Kingdom in 1993, Hotel Chocolat group companies are a chocolate manufacturer and retailer with their own cocoa plantation. As at 31 October 2017, Hotel Chocolat group companies had over 100 retail outlets in the United Kingdom. We opened three of our licenced “Hotel Chocolat”  retail outlets in Causeway Bay, Kwun Tong and Tai Koo Shing during the five months ended 31 August 2017 and up to the Latest Practicable Date. We did not enter into written licensing agreement with the brand owner of Hotel Chocolat. Because it is a new brand launched recently, there has not been significant revenue contribution during the Track Record Period.


Product offerings and making

We primarily offer various chocolate products at a retail price ranging from HK\$30 to HK\$1,500 per item during the Track Record Period.





Below is our principal product offered at our “Hotel Chocolat”  retail outlets:




Assorted Chocolates

“Jiu Tang Wu (九湯屋)” 


Brand information and financial contribution

Founded in Taiwan in 2014, “Jiu Tang Wu (九湯屋)”  Japanese ramen is well-recognised in Taiwan with more than 120 retail outlets in Taiwan, China and Hong Kong, as at 31 December 2017. According to the Industry Report, “Jiu Tang Wu (九湯屋)”  ranked first in terms of number of retail outlets in the ramen industry in Taiwan as at 31 December 2017. The ramen products are adapted to suit local preferences by using less salty and greasy soup base and by adopting affordable pricing strategies. According to the Industry Report, the less salty and greasy soup base enables “Jiu Tang Wu (九湯屋)”  to attract and gain popularity among health conscious customers who prefer a healthier diet in Taiwan. Our Group opened our first licenced “Jiu Tang Wu (九湯屋)”  retail outlet in Yuen Long, Hong Kong. Because it is a new brand launched subsequent to the Track Record Period, there was no revenue contribution from this brand during the Track Record Period.

Product offerings and making

We primarily offer and prepare ramen and other side dishes at our self-operated “Jiu Tang Wu (九湯屋)”  retail outlets within self-service food courts in shopping malls with seating provided by the food court operator instead of us. The retail price of our ramen and side dishes ranges from HK\$13 to HK\$59 each.

BUSINESS

Below are some of our principal products offered under our “Jiu Tang Wu (九湯屋)”  retail outlets:



Pork bone soup ramen




Spicy soup ramen








Miso soup ramen

Sourcing

To ensure consistency with the home brand, we source certain key ingredients including noodles, condiments and sliced pork from the brand owner of “Jiu Tang Wu (九湯屋)” . For other toppings and ingredients, we source them from local suppliers.

Retail network

As at the Latest Practicable Date, we operated two “Jiu Tang Wu (九湯屋)”  retail outlets, which opened in Yuen Long and Tai Koo Shing in October and December 2017, respectively.

Our Directors believe our “Jiu Tang Wu (九湯屋)”  business could gain popularity among the targeted consumers in Hong Kong. We plan to develop the “Jiu Tang Wu (九湯屋)”  business at a relatively rapid pace with around five and five retail outlets to be opened in each of the years ending 31 March 2019 and 2020, respectively. As at the Latest Practicable Date, we have not identified any locations nor have we entered into any lease agreement for the additional “九湯屋 (Jiu Tang Wu)”  retail outlets. We prefer locations with heavy pedestrian flow that we have yet to cover. In choosing the exact locations, we will consider the pedestrian flow, spending power, outlet availability, rental and other start-up costs, existing competition, etc. While we may continue to open “九湯屋 (Jiu Tang Wu)”  retail outlets within self-service food courts, we may consider the possibility of setting up standalone street or mall restaurants. We believe the expected capital expenditure for opening standalone restaurants would be higher than those at self-service food courts because we would incur higher start-up costs including renovation costs. Assuming a standalone restaurant would generally require an additional gross floor area of 400 sq.ft. for dining area as compared to retail outlet opened within a self-service food court, we expect we would incur HK0.4 million more for capital expenditure. Our ongoing operating costs for standalone restaurants may also be higher because we would hire waiters to serve customers and we would incur higher rental costs. Based on the aforesaid, we expect that the breakeven and investment payback periods for (i) opening a standalone street or mall restaurant are approximately one month and 17 months, respectively; and (ii) opening a retail outlet within a self-service food court are approximately one month and six months, respectively. For licensing requirements, based on our expected menu offerings, we expect to obtain licenses similar to that for self-service food courts.

BUSINESS

Our retail business team is responsible for retail management of our “Jiu Tang Wu (九湯屋)” 九 retail outlets. As at the Latest Practicable Date, we had 22 staff members for the operation of our “Jiu Tang Wu (九湯屋)” 九 retail outlets. The retail outlet is assigned with a shop manager to oversee the general management and operation. The shop manager is responsible for reporting to our retail business department on a regular basis.

We entered into a written licence agreement with the brand owner of “Jiu Tang Wu (九湯屋)” 九 for the operation of the retail outlet. The salient terms of the licence agreement are as follows:

- Licence period — valid 20 years from 13 July 2017.
- Territory — Hong Kong and Macau.
- Exclusivity — exclusive licence to set up and operate “Jiu Tang Wu (九湯屋)” 九 retail outlets.
- Licence fee payable when a retail outlet is opened, which is — (i) nil for the first and second retail outlets; (ii) HK\$80,000 each for the third to tenth retail outlets; and (iii) HK\$60,000 each for the eleventh retail outlets onwards.

Other retail brands

In addition to the four licenced brands above, as at the Latest Practicable Date, we also managed a retail outlet for a Taiwanese candy brand pursuant to a management agreement that we entered into with such brand owner. The Taiwanese candy retail outlet was an insignificant contributor to our track record results.

MARKETING AND PROMOTION

We promote the brand awareness of our Distribution Business and Retail Business through various marketing strategies and channels, including (i) cooperating with credit card companies and banks to offer discounts on our products; (ii) issuing cash coupons and offering discounts on seasonal products, for example, ice-cream and chilled drinks during summer, (iii) cooperating with supermarkets to launch themed products, and (iv) launching products featuring well-known cartoon characters.

BUSINESS

SUPPLIERS AND CUSTOMERS

Suppliers

During the Track Record Period, our major suppliers included brand owners and their distributors which supplied their branded food and beverage products or their underlying raw materials to us. Except for certain supply framework agreements mentioned in “— Distribution Business”, we do not enter into long-term agreements with our suppliers. For our Retail Business, we sourced most of our raw materials from the brand owners, and certain fresh and perishable raw materials, for example fresh fruits and vegetables, from local suppliers. In the event that there is any shortage or delay in the supply of such fresh and perishable raw materials from local suppliers, we are able to react by sourcing from alternative local suppliers, as such raw materials can be commonly found.

For the years ended 31 March 2015, 2016, 2017 and five months ended 31 August 2017, purchases from our five largest suppliers accounted for approximately 52.5%, 53.5%, 59.8% and 63.5% of our total purchases, respectively; and purchases from our largest supplier accounted for approximately 30.2%, 30.7%, 37.4% and 36.5% of our total purchases, respectively. Our five largest suppliers during the Track Record Period have been in business with us for between six years to 19 years. Our major suppliers generally offer us a credit period of nil to 15 days. We are generally required to settle full purchase costs prior to the receipt of the goods under the “free-on-board” basis. We generally settle the invoices of our major suppliers by way of bank transfer. Details of our five largest suppliers during the Track Record Period are set out as follows:

For the year ended 31 March 2015

<u>Rank</u>	<u>Supplier</u>	<u>Business relationship since</u>	<u>Principal product category</u>	<u>Payment terms</u>	<u>Payment method</u>	<u>Total purchase</u> <i>(HK\$'000)</i>	<u>Percentage of our Group's total purchase</u> %
1	UHA brand owner and Makoto Shokai Co., Ltd. <i>(Note 1)</i>	1999	Candy and confectionery products	upon receipt of invoice	T/T	55,787	30.2%
2	TenRen brand owner	1998	Loose-leaf tea products and raw materials for tea-based drinks	upon receipt of invoice	T/T	11,880	6.4%
3	Hsin Tung Yang brand owner	2000	Pork floss, pork jerky, pineapple pastries and Taiwanese vermicelli	7 days	T/T	10,966	5.9%
4	Chek Hup brand owner	2011	Instant coffee and other instant drink powders	upon receipt of invoice	T/T	10,299	5.6%
5	I-Mei Foods brand owner	1999	Cakes and pastries	15 days	T/T	8,012	4.4%

BUSINESS

For the year ended 31 March 2016

Rank	Supplier	Business relationship since	Principal product category	Payment terms	Payment method	Total purchase (HK\$'000)	Percentage of our Group's total purchase %
1	UHA brand owner and Makoto Shokai Co., Ltd. <i>(Note 1)</i>	1999	Candy and confectionery products	upon receipt of invoice	T/T	52,293	30.7%
2	TenRen brand owner	1998	Loose-leaf tea products and raw materials for tea-based drinks	upon receipt of invoice	T/T	16,809	9.9%
3	Chek Hup brand owner	2011	Instant coffee and other instant drink powders	upon receipt of invoice	T/T	8,425	5.0%
4	Hsin Tung Yang brand owner	2000	Pork floss, pork jerky, pineapple pastries and Taiwanese vermicelli	7 days	T/T	6,825	4.0%
5	Miyata Co., Ltd. <i>(Note 2)</i>	2008	Various Japanese confectionery products	upon receipt of invoice	T/T	6,640	3.9%

For the year ended 31 March 2017

Rank	Supplier	Business relationship since	Principal product category	Payment terms	Payment method	Total purchase (HK\$'000)	Percentage of our Group's total purchase %
1	UHA brand owner and Makoto Shokai Co., Ltd. <i>(Note 1)</i>	1999	Candy and confectionery products	upon receipt of invoice	T/T	75,540	37.4%
2	TenRen brand owner	1998	Loose-leaf tea products and raw materials for tea-based drinks	upon receipt of invoice	T/T	21,240	10.5%
3	Hsin Tung Yang brand owner	2000	Pork floss, pork jerky, pineapple pastries and Taiwanese vermicelli	7 days	T/T	8,316	4.1%
4	Chek Hup brand owner	2011	Instant coffee and other instant drink powders	upon receipt of invoice	T/T	8,130	4.1%
5	I-Mei Foods brand owner	1999	Cakes and pastries	15 days	T/T	7,298	3.7%

BUSINESS

For the five months ended 31 August 2017

<u>Rank</u>	<u>Supplier</u>	<u>Business relationship since</u>	<u>Principal product category</u>	<u>Payment terms</u>	<u>Payment method</u>	<u>Total purchase</u> <i>(HK\$'000)</i>	<u>Percentage of our Group's total purchase</u> %
1	UHA brand owner and Makoto Shokai Co., Ltd. <i>(Note 1)</i>	1999	Candy and confectionery products	upon receipt of invoice	T/T	32,480	36.5%
2	TenRen brand owner	1998	Loose-leaf tea products and raw materials for tea-based drinks	upon receipt of invoice	T/T	14,925	16.8%
3	Hsin Tung Yang brand owner	2000	Pork floss, pork jerky, pineapple pastries and Taiwanese vermicelli	7 days	T/T	3,341	3.8%
4	I-Mei Foods brand owner	1999	Cakes and pastries	15 days	T/T	3,028	3.4%
5	Chek Hup brand owner	2011	Instant coffee and instant drink powders	upon receipt of invoice	T/T	2,683	3.0%

Notes:

1. During the Track Record Period, we primarily sourced candy products from the brand owner of UHA, and various Japanese confectionery products of different brands from Makoto Shokai Co., Ltd., a Japanese distributor. We understand that the brand owners of UHA and Makoto Shokai Co., Ltd. share a common shareholder and therefore we treat them as one customer group.
2. Miyata Co., Ltd. is a distributor of various Japanese confectionery products of different brands.

Our five largest suppliers during the Track Record Period are Independent Third Parties. Our Directors confirm that none of our Directors, their respective close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of our share capital as at the Latest Practicable Date) had any interest, directly or indirectly in any of our five largest suppliers during the Track Record Period. None of our five largest suppliers were our customers during the Track Record Period.

BUSINESS

Customers

During the Track Record Period, our major customers are the retail chains under our Distribution Business. Generally, we do not enter into long term contracts with our customers and our terms and conditions of sale are set out in our commercial invoices.

For the years ended 31 March 2015, 2016, 2017 and five months ended 31 August 2017, sales to our five largest customers accounted for approximately 54.1%, 43.0%, 40.3% and 34.0% of our total revenue, respectively; and sales to our largest customer accounted for approximately 26.6%, 24.8%, 25.5% and 23.0% of our total revenue, respectively. Our five largest customers during the Track Record Period have been in business with us for between 11 to 27 years and all of them were located in Hong Kong. Except for customers under our Retail Business (which are all cash sales), we usually grant a credit period of 30 to 120 days to our major customers. The details of our five largest customers during the Track Record Period are set out as follows:

For the year ended 31 March 2015

Rank	Company name	Business relationship since	Principal business	Payment terms	Payment method	Revenue <i>(HK\$'000)</i>	Percentage of our Group's total revenue <i>(%)</i>
1	Customer group A	1991	Operation of supermarket, pharmacy and convenience store chains	75–105 days from month end	T/T	75,163	26.6%
2	New Odaiba	2004	Wholesale of grocery products and retail of Taiwanese packaged confectionery products ^(Note 1)	30–90 days	T/T	35,337	12.5%
3	Customer group B	1990	Operation of supermarket and pharmacy chains	60 days from month end	T/T	19,006	6.7%
4	Customer C	2006	Operation of department store chains	45 days	T/T	13,389	4.7%
5	Customer D	1992	Operation of department store chains	60 days from month end	T/T	10,031	3.6%

BUSINESS

For the year ended 31 March 2016

Rank	Company name	Business relationship since	Principal business	Payment terms	Payment method	Revenue (HK\$'000)	Percentage of our Group's total revenue (%)
1	Customer group A	1991	Operation of supermarket, pharmacy and convenience store chains	75–105 days from month end	T/T	74,371	24.8%
2	New Odaiba	2004	Wholesale of grocery products and retail of Taiwanese packaged confectionery products <i>(Note 1)</i>	30–90 days	T/T	19,199	6.4%
3	Customer group B	1990	Operation of supermarket and pharmacy chains	60 days from month end	T/T	15,958	5.3%
4	Customer C	2006	Operation of department store chains	45 days	T/T	12,438	4.1%
5	Customer D	1992	Operation of department store chains	60 days from month end	T/T	6,929	2.4%

For the year ended 31 March 2017

Rank	Company name	Business relationship since	Principal business	Payment terms	Payment method	Revenue (HK\$'000)	Percentage of our Group's total revenue (%)
1	Customer group A	1991	Operation of supermarket, pharmacy and convenience store chains	75–105 days from month end	T/T	93,979	25.5%
2	New Odaiba	2004	Wholesale of grocery products and retail of Taiwanese packaged confectionery products <i>(Note 1)</i>	30–90 days	T/T	19,031	5.2%
3	Customer group B	1990	Operation of supermarket and pharmacy chains	60 days from month end	T/T	16,356	4.4%
4	Customer C	2006	Operation of department store chains	45 days	T/T	10,959	3.0%
5	Customer E	1992	Operation of convenience store chain	90 days from month end	T/T	7,897	2.2%

BUSINESS

For the five months ended 31 August 2017

Rank	Company name	Business relationship since	Principal business	Payment terms	Payment method	Revenue <i>(HK\$'000)</i>	Percentage of our Group's total revenue <i>(%)</i>
1	Customer group A	1991	Operation of supermarket, pharmacy and convenience store chains	75–105 days from month end	T/T	39,062	23.0%
2	New Odaiba	2004	Wholesale of grocery products and retail of Taiwanese packaged confectionery products <i>(Note 1)</i>	30–90 days	T/T	5,702	3.4%
3	Customer group B	1990	Operation of supermarket and pharmacy chains	60 days from month end	T/T	5,524	3.3%
4	Customer C	2006	Operation of department store chains	45 days	T/T	4,581	2.7%
5	Customer D	1992	Operation of department store chains	60 days from month end	T/T	2,758	1.6%

Note:

1. New Odaiba ceased its wholesale of grocery products business since September 2017 and will cease its retail of Taiwanese packaged confectionery products business in November 2019.

Our five largest customers during the Track Record Period are Independent Third Parties, save for New Odaiba. Please see “Connected Transactions — Exempt continuing connected transaction — 2. Sales of products by our Group”, for details of our transactions with New Odaiba. Except for New Odaiba, our Directors confirm that none of our Directors, their respective close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of our share capital as at the Latest Practicable Date) had any interest, directly or indirectly, in any of our five largest customers during the Track Record Period. None of our five largest customers were our suppliers during the Track Record Period.

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

BUSINESS

SETTLEMENT AND CASH MANAGEMENT

Our customers for the Retail Business make their purchases by cash, Octopus card or credit card. The table below illustrates the breakdown of the retail revenue by types of settlement during the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Cash	29,868	59,358	92,776	36,348	49,015
Octopus card	3,649	3,639	3,369	1,297	2,120
Credit card	<u>7,100</u>	<u>16,167</u>	<u>28,758</u>	<u>10,816</u>	<u>22,297</u>
Total	<u>40,617</u>	<u>79,164</u>	<u>124,903</u>	<u>48,461</u>	<u>73,432</u>

We adopt a cash management policy to ensure the authorised access to cash proceeds and proper handling of cash, and to avoid misappropriation or illegal use of cash received from our operations. Under our policy, cash received at our retail outlet, is deposited in the cash boxes with restricted access and counter-checked by the head office on a monthly basis. In each of our outlets, our shop managers conduct reconciliations of summary sales records generated from our point-of-sales system with the actual cash receipt on a daily basis. Cash is deposited with our banks within three working days, or as otherwise required. To prevent misappropriation and illegal use of cash, we have implemented a set of cash handling procedures. At each of our retail outlets, we keep spare cash and cash received from customers pending delivery to our banks in separate safes. During the Track Record Period, our Directors confirmed that there was no incident of any material cash misappropriation or theft of cash by our employees, customers or other third parties.

PRICING POLICY

We believe it is crucial to maintain a steady supply of quality products at competitive prices for the continuous success of our Group. Our pricing policy for the Distribution Business varies and depends on the type of products and customers. In general, we adopt a “cost-plus” pricing policy, pursuant to which we set target prices with different profit margins over the products we distribute. We may offer more favourable terms to customers who purchase our products in larger quantity. Certain customers with extensive market coverage and market positioning tend to charge us product promotion fees.

The brand owners of the Retail Business normally make suggestions on the retail price of the products, based on which we adjust our retail pricing after considering our operating costs, prevailing market trend, and the market price of similar products offered by our competitors in Hong Kong. We generally adopt a unified pricing across our retail outlets in Hong Kong. We notify the brand owners once the price for the products to be offered at our retail outlets has been determined.

BUSINESS

Our Directors believe that our pricing strategy allows us to pass on part of the increase in purchase and operating costs to our customers. In order to stay profitable and competitive with our competitors, we regularly monitor the pricing of our competitors as our points of reference and we will continue to determine and adjust the prices of our products in response to the prevailing market trend.

SEASONALITY

Our Distribution Business is slightly affected by seasonality. We usually record a higher distribution revenue during the fourth quarter of a calendar year, when our customers are inclined to place higher orders for the festive sales during the holiday seasons in Christmas, New Year and Chinese New Year. On the other hand, our Retail Business is not affected by seasonality to a material extent.

QUALITY CONTROL

Both our Distribution Business and Retail Business rely on our stringent quality control and assurance systems. Our emphasis on quality control and assurance is essential to our success.

Quality control on food and beverage products or raw materials procured from suppliers

We have put in place quality control measures by requiring our suppliers to provide us with the relevant certifications or qualifications of the products before purchasing from them. Upon receipt of products/raw materials delivered to us by our suppliers, our quality assurance department conducts quality and quantity checking (such as checking whether the packaging appears to be swollen, leaked or rusted) to ensure that the products/raw materials delivered to us are in good condition for sale or processing.

Our existing warehouse facilities are also equipped with cold storage facilities to cater to the specific needs of our products (e.g. raw food and dairy products such as fresh eggs, cheese, ice-cream) are kept at different cold temperatures to avoid quality degradation and to preserve food integrity. As at the Latest Practicable Date, we stored chocolate and fresh eggs in our cold storage facilities separately under different optimal temperatures and conditions. For handling raw food and dairy products, our Group has adopted the “first-in-first-out” food storage principle to ensure freshness of food. A hygienic food processing standard procedure is also in place.

We value our customers’ feedback on the products supplied by us and we have implemented measures to handle complaints effectively. Our sales and marketing team handles customers’ complaints promptly upon receipt. For more serious complaints such as large quantity products return, our sales and marketing team escalates such complaints to our management for investigation and resolution. We believe the above measures can reinforce our quality control standards to our customers and instil our customers’ confidence in our food and beverage products.

Guidelines of product import

The Food and Environmental Hygiene Department has issued various guidelines advising on the proper procedures for importing certain products, including “Guide to Import of Food into Hong Kong”, and “Guide to Import of Game, Meat, Poultry and Eggs into Hong Kong”. Please see “The Laws and Regulations Relating to the Industry” for details.

We have implemented food safety internal control measures to comply with the abovementioned guidelines. Our quality assurance team checks whether our internal control manual is in compliance with the suggested procedures laid down by the relevant authorities, such as: (i) application for registration as food importers and distributors; (ii) updating the main food categories and classifications applicable to us when there are any changes to food types we import and distribute; and (iii) renewal of the registrations, and updating the internal control manual whenever there are changes to the standards imposed by the relevant authorities.

Consumer Goods Safety Ordinance

As most of our food and beverage products are consumer goods for private use or consumption, we are subject to the Consumer Goods Safety Ordinance to ensure the products we supply are safe and comply with the general safety requirement of consumer goods. Please see “The Laws and Regulations Relating to the Industry” for details. If the products we supply to our customers are proven to be non-compliant with the safety standards, we could be penalised and/or our supply can be prohibited by the relevant authorities even though we are not the manufacturers of such products. Please see “Risk Factors — Risks Relating to Our Business — Our business and operation are susceptible to product liability or food safety claims” for details.

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

Quality control on food processing and retail outlets

We have a designated shop manager at each retail outlet. The designated shop manager of each retail outlet is responsible for overseeing the daily operation of the retail outlet, including inspection of raw materials and finished products at the retail outlet. If the quality of any products is found to be unsatisfactory, the products are discarded.

Our quality assurance team is responsible for conducting ad-hoc audit and closely monitoring the quality standard of our processing procedures in order to ensure that the quality standards of the food and beverage products to be sold at our retail outlets are in compliance with the applicable regulatory and quality standards.

We provide product quality, food processing safety and other technical training to our employees, including food processing personnel, quality control and inspection personnel, as well as managerial personnel, to ensure that they are kept abreast of the latest safety and hygiene requirements.

Food safety risk management and emergency response

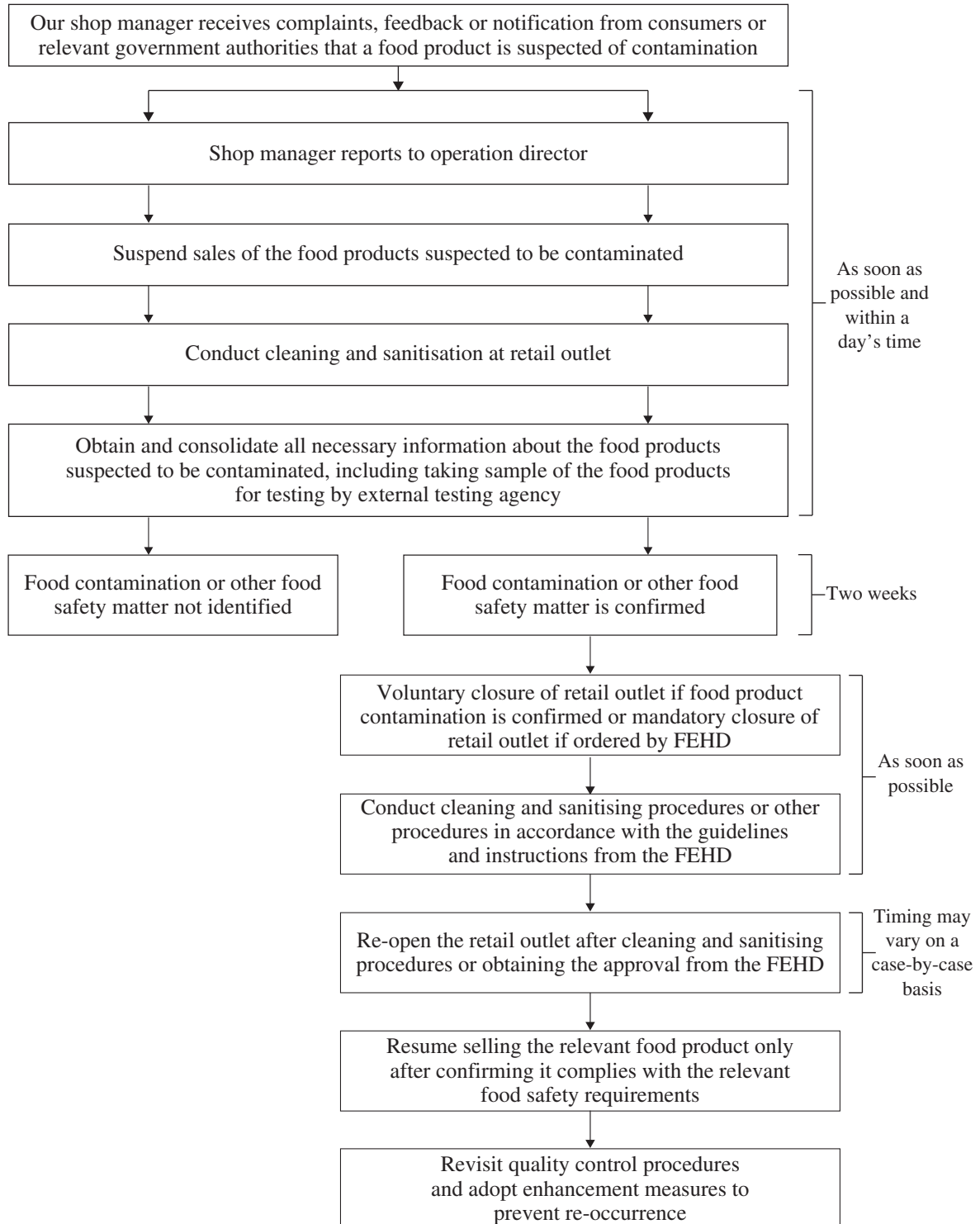
We adopt a systematic food safety risk management and emergency response policy for our Distribution Business and Retail Business. The policy sets out the emergency response procedures and responsibilities of each personnel involved.

Retail business

For our Retail Business, each of our retail outlets is supervised by a hygiene supervisor, who is required to complete a training course recognised by the FEHD. If any material food contamination or food safety matter is suspected, our shop manager reports the incident to our operation director, Mr. William Chau (an executive Director) as soon as possible. We take immediate actions to ensure the health and safety of our customers by suspending the sale of the food products suspected to be contaminated or causing the food safety concern, and conducting cleaning and sanitising procedures at our retail outlets on the same day. To investigate the incident, we take sample of the food product for testing by external testing agency which may take about two weeks. When food contamination or other food safety matter is confirmed, we temporarily close the retail outlet and sanitise the retail outlet thoroughly as soon as possible. In a more serious event where the FEHD orders our retail outlet to be closed temporarily, we take proactive steps to rectify in accordance with guidelines and instructions from the FEHD immediately. We re-open the retail outlet only after obtaining the approval from the FEHD, the timing of which may vary on a case-by-case basis. We resume selling the relevant food product only after confirming it complies with the relevant food safety requirements. If necessary, we will also revisit our quality control procedures and adopt enhancement measures to avoid re-occurrence of such incident. When the material food contamination is caused by defective raw materials from

BUSINESS

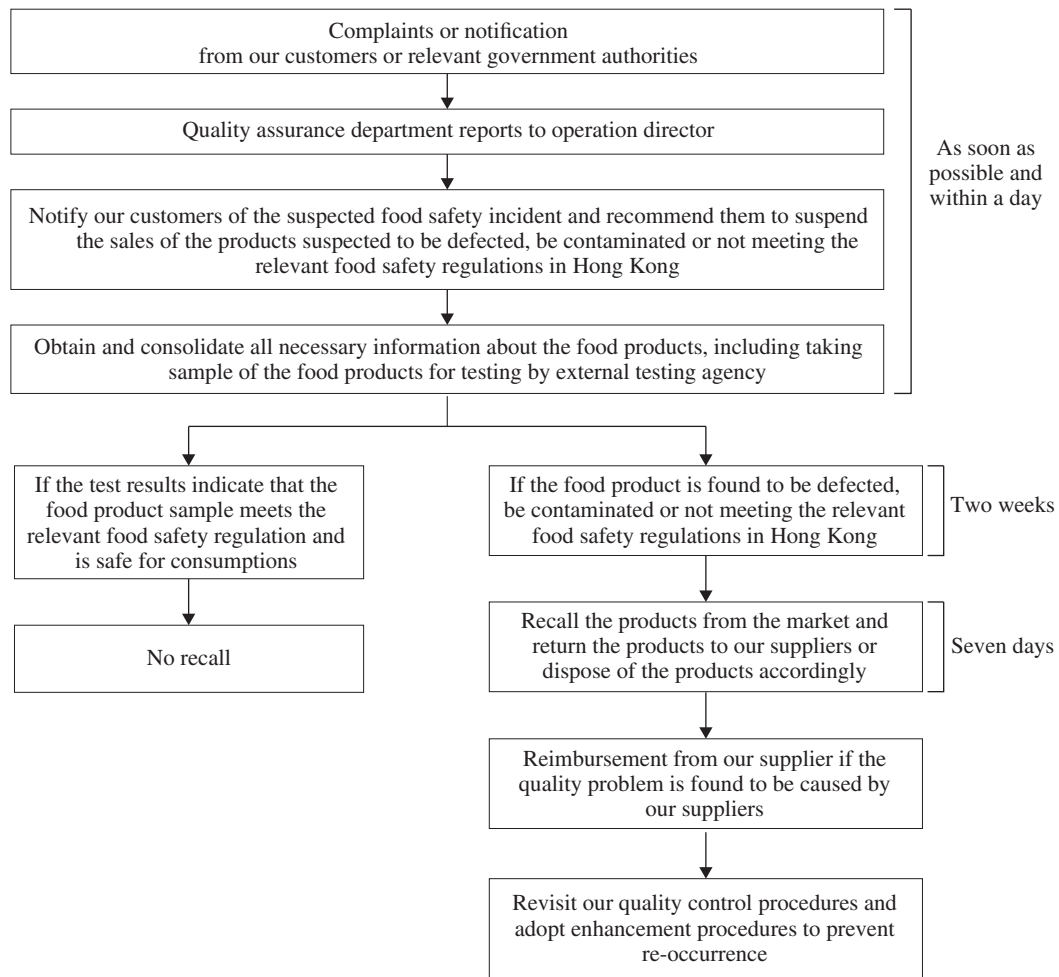
our suppliers, we cease purchases from such supplier. Our retail outlets are also covered by adequate insurance policies in the case of food safety incidents. The following table outlines the emergency response procedures and approximate timing required for our Retail Business:



BUSINESS

Distribution business

For our Distribution Business, our quality assurance department is responsible for managing food safety incidents. If we receive a material food safety incident complaint from the consumers or the relevant authority, our quality assurance department reports to our operation director as soon as possible. We take immediate actions to ensure the health and safety of the consumers by notifying our customers of such suspected incident and recommend them to suspend the sale of the products suspected to be defected, be contaminated or not meeting the relevant food safety regulation in Hong Kong on the same day. We investigate the food safety complaint and take sample of the product for testing by external testing agency which may take about two weeks. We conduct product recall only when it is confirmed by the external testing agency or the relevant authority that the product is defected, contaminated or fails to meet the relevant food safety regulation in Hong Kong. We estimate such retrieval and disposal process to be completed within seven days. If the quality problem is found to be caused by the supplier, such as changing the ingredients in the products without notifying us, we may return the defective products to our supplier and be reimbursed by the supplier for all the recall charges that we incur. The following table sets out the emergency process procedures and approximate timing required for our Distribution Business:



BUSINESS

Immaterial food safety incidents

During the Track Record Period, we were able to offer approximately 7,000 SKUs of food and beverage products from over 100 brands under our Distribution Business. Given the breadth of our products and that such products are sourced from a diverse range of suppliers, we are prone to food safety incidents. For related risks, please see “Risk Factors — Our business and operation are susceptible to product liability or food safety claims”.

During the Track Record Period, we were involved in seven immaterial food safety incidents under our Distribution Business. The majority of these incidents arose when the government authorities conducted their routine food surveillances. They identified that either the food label descriptions of our products sourced from suppliers were slightly inconsistent with the underlying ingredients and substances, or our products sourced from suppliers contained a small amount of restricted substances. Such incidents occurred primarily because our suppliers slightly changed their ingredient components and failed to notify us accordingly. For inconsistent food label descriptions, we arranged product recall from our customers and rectified the food labels accordingly before we relaunched the products back to our customers. We were fined HK\$1,000 by the FEHD during the Track Record Period for one of the incidents. For our products containing certain restricted substances, we arranged a product recall from our customers and disposed of products in the value of approximately HK\$39,000 during the Track Record Period.

Our Directors confirm that we were not involved in any food safety incidents which materially affect our business, results of operations and financial condition during the Track Record Period and up to the Latest Practicable Date.

INVENTORY MANAGEMENT AND LOGISTICS

Inventory management

We procure products from our suppliers on an ongoing basis to maintain a reasonable level of inventory at a pre-set value to meet our business needs based on our sales projection after taking into account the historical orders made by our customers as captured by our existing ERP system, customers’ preferences, market trend and expected promotional plans. Our procurement team monitors the inventory level on a daily basis. When our inventory level falls below a pre-set value, our procurement team would place orders with our suppliers.

As at 31 March 2015, 2016, 2017 and 31 August 2017, the balance of inventories amounted to approximately HK\$17.9 million, HK\$17.5 million, HK\$18.7 million and HK\$22.9 million, respectively, representing approximately 20.5%, 16.6%, 14.9% and 17.3% respectively of our total current assets for the corresponding period-end date. The average number of inventory turnover days of our Group for the years 31 March 2015, 2016, 2017 and five months ended 31 August 2017 has about 36.8, 38.0, 33.0 and 37.6, respectively. For the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, we wrote off inventories of approximately HK\$80,000, HK\$38,000, HK\$106,000 and HK\$42,000, respectively as a result of our disposal of damaged products and raw materials that are unsold, returned or expired. We periodically assess the realisability of inventory and consider that no provision for impairment of inventories was required during the Track Record Period. The price of food and beverage products and raw materials remained stable during the Track Record Period and our Directors consider that

the future price of food and beverage products and raw materials will remain steady. If the price of food and beverage products and raw materials fluctuate substantially, which in turn is subject to various factors beyond our control, such as industry supply and demand, we may transfer the increase in expenses resulting from price fluctuation to our customers through timely adjustment of the selling price of our products. If we are unable to do so effectively, our profitability and results of operations could be adversely affected. For details, please see “Risk Factors — Any fluctuation in the prices of our food and beverage products and raw materials could adversely affect our operation, turnover and profitability”.

We monitor our inventory levels on a regular basis. Based on our sales experience, we prepare (on a monthly basis) a sales forecast for our internal reference and a monthly ordering forecast for our suppliers’ reference. Our procurement team will place orders based on sales forecast and the inventory level in our storage.

The product liability of the products lies with the suppliers during the period of time from the production of the products to the delivery of products in accordance with the shipping terms agreed with suppliers.

Logistics

During the Track Record Period, our logistics team is responsible for unloading products supplied by our foreign suppliers from the containers at the shipping terminal in Hong Kong and for delivering the same to our warehouses at our expense.

The product liability of the products lies with us, after the suppliers have delivered the products according to the shipping terms.

For delivery of products to our distribution customers, our customers generally have specific delivery destinations for their purchase orders. Our logistics team coordinates and arranges transportation for the delivery of products to our customers to ensure the products reach our customers in a timely manner.

As at the Latest Practicable Date, we had an in-house logistics team with three vehicles for delivery of products to our customers in Hong Kong, one of which was equipped with temperature control equipment for the delivery of perishable food and ingredients to our retail outlets. We may also engage transportation services providers for delivery when our vehicles are fully occupied. The fees for the transportation services are calculated on a cost per unit basis and we are required to settle the transportation fees within 30 days from the issue of invoices. Also, we have entered into, and are expected to continue after the Listing, certain continuing connected transactions with Bo Shing for provision of logistic services to our Group. Please see “Connected Transactions — Non-exempt continuing connected transactions — 2. Provision of logistic services to our Group” for details.

For the years ended 31 March 2015, 2016, 2017 and the five months ended 31 August 2016 and 2017, we incurred approximately HK\$11.0 million, HK\$11.1 million, HK\$12.5 million, HK\$5.0 million and HK\$5.5 million for transportation and logistics service charges, respectively.

INSURANCE

Our insurance packages cover liabilities and losses for our retail outlets, warehouses, vehicles and statutory employee compensation. We review our insurance policies from time to time for adequacy in the breadth of coverage. Our Directors consider our insurance coverage to be customary for businesses of our size and type and in line with the standard commercial practice in Hong Kong.

As at the Latest Practicable Date, we had not made nor been the subject of any material insurance claims. However, our business operation is susceptible to potential losses caused by a wide range of business disruptions and we may not be fully indemnified for our losses under our current insurance coverage. Please see “Risk Factors — Risks relating to our business — Our Group may not be fully indemnified for our losses under our current insurance coverage” for details.

HEALTH AND WORK SAFETY

We strive to provide a safe working environment to our employees. We have implemented work safety guidelines for all our staff which set out our work safety policies and promote safety on work sites. We have adopted internal training programmes and a workplace health and safety procedural manual, through which our Group educates our employees of the importance of and the correct practices for health and safety in the workplace. Our administration team has designated personnel to record and keep track of any injuries of our employees that have occurred in our workplace, to ensure insurance claims and treatments are effectively pursued to protect our employees and our Group. During the Track Record Period, injuries suffered by our employees were minor and there was no material injury recorded.

ENVIRONMENTAL PROTECTION

Due to the nature of our business, our Group’s operational activities do not directly generate industrial pollutants, and as such our Group did not incur costs of compliance with applicable environmental protection rules and regulations during the Track Record Period. Our Directors expect that our Group will not incur significant costs for compliance with applicable environmental protection rules and regulations in the future. We have not been subject to any material claim or penalty in relation to environmental protection during the Track Record Period. During the Track Record Period, we have been in compliance with the applicable Hong Kong environmental protection laws and regulations in all material aspects.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group had five and three registered trademarks in Hong Kong and the PRC, and applying one and one trademarks in Macau and Taiwan, respectively. Details of our registered intellectual property rights are set out in the section headed “Statutory and General Information — Further information about the business of our Group — 10. Intellectual property rights of our Group” in Appendix IV to this prospectus.

In respect of the intellectual property rights of “TenRen (天仁茗茶)”  茗茶, “Uncle Tetsu (徹思叔叔)” , “Hotel Chocolat” , “Jiu Tang Wu (九湯屋)”  九, and other retail brands, the trademarks are owned by the respective brand owners.








BUSINESS

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

LEASED PROPERTIES

As at the Latest Practicable Date, we leased 46 properties for our retail outlets in Hong Kong with an aggregate gross floor area of approximately 17,860 sq.ft. We also leased certain warehouses and office premises. Save for the certain warehouse premises we leased from Best Source and/or Ms. Janny Tin, our connected persons, all the other landlords of our leased properties are Independent Third Parties. For details of our connected leases, please see “Connected Transactions — Non-exempt continuing connected transactions — 1. Leasing of properties to our Group”.










Out of the 46 leased properties for our retail outlets as at the Latest Practicable Date, 14 of the leases will expire within the 12 months following the Latest Practicable Date. The following table sets out the details of the tenancy agreements which we have entered into in respect of our Retail Business as at the Latest Practicable Date:

Retail Business	Address	Approximate gross floor area (sq. ft.)	Expiry date of current lease
1. “TenRen (天仁茗茶)” 	Shop L1005, Eslite Book Store, 10/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong	129	31 March 2018
2. “TenRen (天仁茗茶)” 	Shop L1006, Eslite Book Store, 10/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong	537	31 March 2018
3. “TenRen (天仁茗茶)” 	Shop 10, G/F, Well View Commercial Building, No. 8–12 Morrison Street, Sheung Wan, Hong Kong	395	17 February 2020
4. “TenRen (天仁茗茶)” 	Counter TW-4-007, Level 4, YATA Department Store, Tsuen Wan Plaza, 4 Tai Pa Street Tsuen Wan, New Territories	102	28 February 2018
5. “TenRen (天仁茗茶)” 	G/F, No.151 Hennessy Road, Wan Chai, Hong Kong	349	14 August 2020
6. “TenRen (天仁茗茶)” 	Shop No. 4, G/F, Rejoice Court, No. 18 Fa Yuen Street, Mongkok, Kowloon	392	16 February 2019
7. “TenRen (天仁茗茶)” 	Shop 401, PIAGO, Level 4, Telford Plaza II, Kowloon Bay, Kowloon	176	30 November 2018












BUSINESS

Retail Business	Address	Approximate gross floor area (sq. ft.)	Expiry date of current lease
8. “TenRen (天仁茗茶)” 	Counter KT-004, YATA Supermarket, Lower Ground Level, apm, Millennium City 5, 418 Kwun Tong Road, Kwun Tong, Kowloon	316	31 August 2018
9. “TenRen (天仁茗茶)” 	Shop 2038, Level 2, Metro City Phase II, Tseung Kwan O, New Territories	673	13 November 2019
10. “TenRen (天仁茗茶)” 	Unit UN2-06, UNY, Level 2, Lok Fu Plaza, Lok Fu Estate, 198 Junction Road, Lok Fu, Kowloon	226	30 November 2018
11. “TenRen (天仁茗茶)” 	Kiosk 2A, G/F, Aberdeen Centre Site 4, Aberdeen, Hong Kong	223	12 February 2021
12. “TenRen (天仁茗茶)” 	Shop MKK2, Mongkok East MTR Station, Mongkok, Kowloon	290	28 February 2021
13. “TenRen (天仁茗茶)” 	Shop No. 6, G/F, KOLOUR, No. 1 Kau Yuk Road and Nos. 36-46, Tai Tong Road, Yuen Long, New Territories	270	23 March 2020
14. “TenRen (天仁茗茶)” 	Shop B, G/F, Ming Fat Mansion, No. 51 Bute Street, Mongkok, Kowloon	196	30 September 2019
15. “TenRen (天仁茗茶)” 	Counter TM4-005, YATA Supermarket, G/F, V City, 83 Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories	151	31 August 2019
16. “TenRen (天仁茗茶)” 	Counter L222, Eslite Spectrum, 2/F, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon	642	30 September 2018
17. “TenRen (天仁茗茶)” 	Counter L110C, Eslite Spectrum, Level 1, Cityplaza, Tai Koo Shing, Hong Kong	590	31 March 2018
18. “TenRen (天仁茗茶)” 	Shop Nos. 050-051, Level 2, Zone A, Tai Po Mega Mall, Tai Po, New Territories	500	24 February 2019
19. “TenRen (天仁茗茶)” 	Kiosk, 2/F, KOLOUR, Tsuen Wan I, No. 68 Chung On Street, Tsuen Wan, New Territories	695	23 June 2019
20. “TenRen (天仁茗茶)” 	D14-15, Level 1, Lab Concept, Queensway Plaza, 93 Queensway, Admiralty, Hong Kong	300	26 January 2019

BUSINESS

Retail Business	Address	Approximate gross floor area (sq. ft.)	Expiry date of current lease
21. “TenRen (天仁茗茶)” 	Shop No. 182, Level 1, Metroplaza, Kwai Chung, New Territories	368	14 October 2018
22. “TenRen (天仁茗茶)” 	Shop No. TAP 20, Tai Po Market MTR Station, Tai Po, New Territories	301	23 June 2019
23. “TenRen (天仁茗茶)” 	Shop No. HOK 69, Hong Kong MTR Station, Central, Hong Kong	549	10 October 2019
24. “TenRen (天仁茗茶)” 	Shop A, G/F, Mongkok Building, No. 546 Nathan Road, Kowloon	570	14 November 2019
25. “TenRen (天仁茗茶)” 	Shop C, G/F with Cockloft Store, Merlin Building, No. 30, 32 and 34 Cochrane Street, Central, Hong Kong	575	14 February 2020
26. “TenRen (天仁茗茶)” 	Shop Unit 1, CityLink Plaza, No. 1 Sha Tin Circuit, Sha Tin, New Territories	323	29 February 2020
27. “TenRen (天仁茗茶)” 	Shop No. G102A, G/F, Plaza Hollywood, Diamond Hill, Kowloon	263	23 April 2020
28. “TenRen (天仁茗茶)” 	Counter TKO-10-005B, Shop No. 222, YATA Supermarket, Level 2, East Point City, 8 Chung Wai Road, Tseung Kwan O, New Territories	440	28 February 2019
29. “TenRen (天仁茗茶)” 	Shop No. G08B, Ground Floor, Stanley Plaza, Ma Hang Estate, 23 and 33 Carmel Road, Stanley, Hong Kong	327	2 July 2020
30. “TenRen (天仁茗茶)” 	Shop No. 2211, Level 2, Sheung Shui Centre, 3 Chi Cheong Road, Sheung Shui, New Territories	745	15 October 2020
31. “TenRen (天仁茗茶)” 	Unit 227, Level 2, Maritime Square, 33 Tsing King Road, Tsing Yi, New Territories	400	29 September 2020
32. “TenRen (天仁茗茶)” 	Shop TIS 44, Tin Shui Wai MTR Station, Tin Shui Wai, New Territories	398	9 November 2020

BUSINESS

Retail Business	Address	Approximate gross floor area (sq. ft.)	Expiry date of current lease
33. “TenRen (天仁茗茶)” 	Shop No. 39, Level 3, North Wing, Trend Plaza, 2 Tuen Lung Street, Tuen Mun, New Territories	554	26 November 2020
34. “TenRen (天仁茗茶)” 	Shop No. G1, G/F, Tai On Building, Nos. 57–87 Shau Kei Wan Road, Shau Kei Wan, Hong Kong	600	28 March 2021
35. TenRen (天仁茗茶)” 	Shop No. 201, 1/F, Fanling Centre, No. 33 San Wan Road, Fanling, New Territories	521	A fixed term of three years from the lease commencement date, which is expected in April 2018
36. “Uncle Tetsu (徹思叔叔)” 	Shop B, G/F, No. 3 Cannon Street, Causeway Bay, Hong Kong	307	22 November 2018
37. “Uncle Tetsu (徹思叔叔)” 	Unit 24B, G/F, Yan On Building, No. 1 Kwong Wah Street, Mongkok, Kowloon	543	21 February 2019
38. “Uncle Tetsu (徹思叔叔)” 	Counter TKO-10-005A, Shop No.222, YATA Supermarket, Level 2, East Point City, 8 Chung Wa Road Tseung Kwan O, New Territories	236	28 February 2019
39. “Jiu Tang Wu (九湯屋)” 	Counter YOHO-11-004, Shop No. 1013–1015 & 1018–1020, YATA Supermarket, Level 1, YOHO Mall I, 9 Long Yat Road, Yuen Long, New Territories	316	31 August 2019
40. “Jiu Tang Wu (九湯屋)” 	Counter L111, Eslite Spectrum, Level 1, Cityplaza, Tai Koo Shing, Hong Kong	1,270	30 September 2019
41. “Hotel Chocolat” 	Shop No. B2–07E, Basement 2, SOGO, Causeway Bay, Hong Kong	139	31 August 2019
42. “Hotel Chocolat” 	Shop No. L1–11, Level 1 apm, Millennium City 5, No.418, Kwun Tong Road, Kwun Tong, Kowloon	164	19 June 2020
43. “Hotel Chocolat” 	Counter L108A, Eslite Spectrum, Level 1, Cityplaza, Tai Koo Shing, Hong Kong	271	30 April 2018
44. Taiwanese candy brand	Shop L1008, Eslite Book Store, 10/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong	134	31 March 2018

BUSINESS

<u>Retail Business</u>	<u>Address</u>	<u>Approximate gross floor area (sq. ft.)</u>	<u>Expiry date of current lease</u>
45. Taiwanese confectionery products	Shop No. B2-26G, Basement 2, SOGO, Causeway Bay, Hong Kong	65	31 August 2018
46. Taiwanese street food	Unit 24A, G/F, Yan On Building, No. 1 Kwong Wah Street, Mongkok, Kowloon	329	21 February 2019

As at the Latest Practicable Date, there were 14 tenancy agreements which would be expiring within 12 months. We plan to renew the tenancy agreements of such premises. We normally negotiate with the respective landlords around three months prior to the expiry. For retail outlets number 1, 2, 4, 17, 43 and 44, which tenancy agreements will be expired in three months following the Latest Practicable Date, we are in the process of negotiating with the respective landlords and we expect to renew the tenancy agreements before expiry subject to the terms to be agreed between the landlord and us. For the other tenancy agreements which would be expiring more than three months, we will negotiate with the respective landlords around three months prior to the expiry.

The following table sets out the details of the tenancy agreements which we have entered into in respect of our warehouse and office premises as at the Latest Practicable Date:

<u>Usage</u>	<u>Address</u>	<u>Approximate gross floor area (sq.ft.)</u>	<u>Expiry date of current lease</u>
47. Warehouse	Unit No. 1, 2/F, Block A, Ko Fai Industrial Building, No. 7 Ko Fai Road, Kowloon, Hong Kong	13,920	21 November 2020
48. Warehouse	Unit No. 2, 2/F, Block A, Ko Fai Industrial Building, No. 7 Ko Fai Road, Kowloon, Hong Kong	11,380	21 November 2020
49. Warehouse	Unit No. 1, 4/F, Block A, Ko Fai Industrial Building, No. 7 Ko Fai Road, Kowloon, Hong Kong	11,380	21 November 2020
50. Warehouse	Unit No. 3, 5/F, Block B, Ko Fai Industrial Building, No. 7 Ko Fai Road, Kowloon, Hong Kong	9,600	21 November 2020
51. Ancillary office	Unit No. 1, 11/F, Block A, Ko Fai Industrial Building, No. 7 Ko Fai Road, Kowloon, Hong Kong	11,380	21 November 2020
52. Head office	Unit 911, 9/F, Tai Yau Building, 181 Johnston Road, Wan Chai, Hong Kong	513	5 November 2019

Save for the abovementioned leased properties, the Group did not lease or own any other properties as at the Latest Practicable Date.

BUSINESS



EMPLOYEES

As at 31 August 2017, we had a total of 432 full-time and part-time employees in Hong Kong. The following table sets forth a breakdown of the number of our full-time and part-time employees by functional role as at 31 August 2017:

<u>Function</u>	<u>Number of employees</u>
Sales, marketing, quality assurance & design	19
Retail operation	380
Procurement & leasing	6
Finance, warehouse, human resources & administration	<u>27</u>
Total	<u><u>432</u></u>

Due to the labour intensive and service-orientated nature of our Retail Business, our employees play a significant role in the success of our retail outlets. In order to retain quality employees, our Group offers competitive remuneration, benefits and a clear path of career advancement. Our employees in our Retail Business may also receive bonuses based on the sales targets they accomplish.

Training

We provide training sessions to our newly recruited employees for our Retail Business. For instance, we provide training in relation to product, service and store management of our “TenRen (天仁茗茶)”  茗茶 retail outlets. We also organise overseas practical training courses for certain employees working at our “Uncle Tetsu (徹思叔叔)”  retail outlets.

Recruitment

We generally recruit our employees from the open market. For the Retail Business, we recruit our employees based on a number of factors such as their experience in relation to the food and beverage industry. Newly recruited employees are required to undergo a probation period after which they will become our full-time employees if we are satisfied with their performance during the probation period.

During the Track Record Period, our Group had not experienced any significant difficulties in recruiting employees, and had not experienced any significant staff or labour disputes.

LICENCES, CERTIFICATES AND REGISTRATIONS

Our Directors confirm that we had obtained all necessary licences and permits for our business operations in Hong Kong, thus being in compliance with relevant laws and regulations as at the Latest Practicable Date. Our Directors confirm that our Group did not experience any material difficulties in obtaining and/or renewing such licences and permits. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such

BUSINESS

licences and permits upon their expiration. Therefore, our Directors do not foresee any major difficulties in compliance with such licencing requirements that would cause material impacts on our Group's operations and business.

Distribution Business

The table below sets forth the details of our major licences, certificates and registration obtained by our Group in relation to our import for our Distribution Business as at the Latest Practicable Date:

<u>Licence, certificate or registration</u>	<u>Issuing body</u>	<u>Expiry date</u>
Registration of Food Importer/ Distributor	Food and Environmental Hygiene Department	Expiring in January 2021
Importation of Eggs/Egg Products from Japan by Sea	Food and Environmental Hygiene Department	Expiring in March 2018 ^(Note)
Importation of Eggs/Egg Products from Thailand by Sea	Food and Environmental Hygiene Department	Expiring in March 2018 ^(Note)











Note: The importation of eggs/egg products permits are valid for six months from the date of issue. We generally submit application for renewal of the permit around seven working days prior to the expiry date and we generally were able to obtain the renewed permit within five working days upon submission of the application.

Retail Business

Our licenses for our Retail Business are generally valid for one year or less and are renewable upon expiry. The table below sets forth the number of licences for our Retail Business as at the Latest Practicable Date:

<u>Types of licence</u>	<u>Number of licences</u>
Food Factory Licence ^{Note 1 and note 4}	37
Frozen Confection Factory Licence ^{Note 2 and note 4}	26
Light Refreshment Restaurant Licence ^{Note 3 and note 4}	2

Notes:

1. As at the Latest Practicable Date, we obtained a food factory licence for our central kitchen located in Yau Tong, Hong Kong and each of our: “TenRen (天仁茗茶)”  retail outlets no. 1, 3, 4b, 5, 6, 7, 8, 10, 11, 12, 13b, 14, 15, 16, 17, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32 and 33; “Uncle Tetsu (徹思叔叔)”  retail outlets in Causeway Bay, Mongkok and Tseung Kwan O; “Jiu Tang Wu (九湯屋)”  retail outlet in Yuen Long and Tai Koo Shing; and a Taiwanese street food retail outlet in Mongkok. Among these retail outlets, food factory licences issued to our: “TenRen (天仁茗茶)”  retail outlets no. 4b, 30, 31, 32 and 33; and “Jiu Tang Wu (九湯屋)”  retail outlet in Yuen Long and Tai Koo Shing were provisional.
2. As at the Latest Practicable Date, we are required to obtain a frozen confection factory licence for each of our: “TenRen (天仁茗茶)”  retail outlets no. 1, 4b, 11, 13b, 14, 15, 16, 17, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32 and 33; “Uncle Tetsu (徹思叔叔)”  retail outlet in Tseung Kwan O; “Hotel Chocolat”  retail outlet in Kwun Tong; and a Taiwanese street food retail outlet in Mongkok. Among these retail outlets, food factory licences issued to our: “TenRen (天仁茗茶)”  retail outlets no. 4b, 28, 29, 30, 31, 32 and 33 were provisional.
3. As at the Latest Practicable Date, we are required to obtain a light refreshment restaurant licence for each of our “TenRen (天仁茗茶)”  retail outlets no. 2 and 18.
4. Food factory licence, frozen confection factory licence and light refreshment restaurant licence are valid for a period of one year and renewable annually. Provisional food factory licence, frozen confection factory licence and light refreshment restaurant licence are generally valid for six months.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

As at the Latest Practicable Date, we were not engaged in any litigation or claim of material importance, and no litigation or claim of material importance that would have a material adverse effect on our results of operations or financial condition is known to our Directors to be pending or threatened by or against us. Our Directors confirm that we had not been involved in any material or systemic non-compliance incidents during the Track Record Period save for the incidents set out below:

Particulars of non-compliance 1. Food business licences	Reasons for non-compliance	Legal consequences and potential maximum penalties	Remedial actions and status	Any operational and/or financial impact on our Group	Enhanced internal control measures to prevent re-occurrence of non-compliance
<i>1.1 Early commencement</i>					
18 of our retail outlets commenced business operation before their proper provisional/first food factory licences (each the "FF Licence") and/or frozen confection factory licences (each the "FCF Licence") had been obtained during the following periods as required under section 31(1) of the Food Business Regulation (Chapter 132X of the Laws of Hong Kong) (the "FBR") and section 17(1) of the Frozen Confection Regulation (Chapter 132AC of the Laws of Hong Kong) (the "FCR"), respectively:	Our Group only became aware of the non-compliances of early commencement of our business operation during the due diligence process in preparation for the Listing. During the Track Record Period, our Group had primarily relied on the then external licencing consultants to advise us on and assist us in applying for licences required for our operation. The non-compliances of early commencement of our business operation were generally due to the fact that our Directors and our relevant staff did not have complete and accurate understanding of the laws and regulations applicable to our Group's operations having relied on the advice given by the then external licencing consultants. Specifically for the non-compliance of TenRen shop no. 9, which is our first TenRen retail outlet selling ice-cream, in the course of applying for the relevant FF Licence, the Food and Environmental Hygiene Department (the "FEHD") notified the external licencing consultants of the requirement for the FCF Licence in May 2015. Together with the non-compliance of TenRen shop no. 11, which had already commenced business operation before the notification from the FEHD of the need to obtain a FCF Licence in May 2015, such non-compliances were attributed to our unawareness of such requirement initially and the incompetency of the then external licencing consultants since we were under the impression that the external licencing consultants would have advised us and ensured that all necessary licences had been applied for. Since June 2015, we had applied for the FCF Licences concurrently when applying for the relevant provisional FF Licences for all other TenRen retail outlets which sold ice-cream and were opened subsequently. The non-compliances of early commencement of TenRen retail outlets which were opened since June 2015 and required to obtain FCF Licences were attributed to the inadvertent oversight by our Directors and relevant staff at the material time and the advice of the then external licencing consultants that the material conditions underlying our respective licence applications had been satisfied and they did not expect a prolonged period before the issuance of the relevant FCF Licences to us.	It is provided under section 35(1) of the FBR that any person who contravenes section 31(1) of the FBR shall be guilty of an offence. According to section 35(3) of the FBR, the maximum penalty for failing to obtain a FF Licence under section 31 of the FBR is a fine of HK\$50,000 and HK\$900 for each day of continued default and an imprisonment for six months. Similarly, section 41(1) of the FCR provides that any person who contravenes section 17(1) of the FCR commits an offence. According to section 41(2)(a) of the FCR, the maximum penalty for failing to obtain a FCF Licence is a fine of HK\$50,000 and HK\$900 for each day of continued default and an imprisonment for six months.	All provisional/first FF Licences and FCF Licences required for the retail outlets concerned were subsequently granted by the FEHD.	There has been no warnings received by nor any potential prosecution action taken against our Group during the non-compliance period and up to the Latest Practicable Date. As advised by Mr. Bruce K.W. Lau, a barrister-at-law in Hong Kong (the "Counsel"), a defence of time limitation (the "Time Bar Defence") provided by section 26 of the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong) (the "MO") can be invoked for the offences under section 35(1) of the FBR and section 41(1) of the FCR. Such limitation period shall be calculated in accordance with section 26 of the MO, which is six months from the day before a valid licence was issued to the retail outlets concerned i.e. the last day of the period without a licence. In other words, since our Group had not been charged within six months from the last day of each incident of early commencement herein, prosecution could no longer be instituted thereafter.	We have established and implemented policies and procedures and designated Ms. Janny Tin, our executive Director, and Mr. Tang Kwok Hay, our company secretary, to monitor the licences application and/or renewal process of all requisite licences for our operations. Ms. Janny Tin and Mr. Tang Kwok Hay will oversee the pending applications of all licences and update our Directors on the progress. A retail outlet opening checklist is to be completed and approved by our Directors to ensure a valid licence is in place before the retail outlet commences business. As at the Latest Practicable Date, our Group has engaged new external licencing consultants to provide professional advice, such as updates on the regulatory requirements applicable to the operations of food business, to ensure our compliance with relevant statutory requirements in the future. We will also engage external legal advisers after Listing to advise on the applicable laws and regulations and provide training to our Directors and staff when required.

Note: Please see "—Retail Business — Retail model — "TenRen (天仁茗茶)" 天仁 茗茶 — Retail network" for the shop numbers of "TenRen (天仁茗茶)" 天仁 茗茶 retail outlets stated in the table above.



©2016 TenRen

Particulars of non-compliance	Reasons for non-compliance	Legal consequences and potential maximum penalties	Remedial actions and status	Any operational and/or financial impact on our Group	Enhanced internal control measures to prevent re-occurrence of non-compliance
(g) TenRen shop no. 12: from 23 June 2015 to 12 August 2015 for the provisional FCF Licence					
(h) TenRen shop no. 13a: from 28 June 2015 to 30 July 2015 for the provisional FF Licence and 4 July 2015 to 30 July 2015 for the provisional FCF Licence					
(i) TenRen shop no. 13b: from 8 May 2017 to 15 June 2017 for the provisional FF Licence and 8 May 2017 to 15 June 2017 for the provisional FCF Licence					
(j) TenRen shop no. 14: from 27 August 2015 to 15 August 2015 for the provisional FF Licence and 27 August 2015 to 15 September 2015 for the provisional FCF Licence					
(k) TenRen shop no. 16: from 1 October 2015 to 13 October 2015 for the provisional FF Licence					
(l) TenRen shop no. 19: from 20 July 2016 to 18 September 2016 for the provisional FF Licence and 20 July 2016 to 18 September 2016 for the provisional FCF Licence					
(m) TenRen shop no. 20: from 17 October 2016 to 8 November 2016 for the provisional FF Licence and 18 October 2016 to 8 November 2016 for the provisional FCF Licence					
(n) TenRen shop no. 24: 22 December 2016 for the provisional FF Licence					
(o) TenRen shop no. 25: from 1 April 2017 to 31 May 2017 for the provisional FF Licence and 1 April 2017 to 31 May 2017 for the provisional FCF Licence					
(p) Uncle Tetsu retail outlet in Causeway Bay: from 24 December 2015 to 10 January 2016 for the provisional FF Licence					
(q) Uncle Tetsu retail outlet in Mongkok: from 12 March 2016 to 28 March 2016 for the provisional FF Licence					
(r) A Taiwanese street food retail outlet in Mongkok: from 19 March 2016 to 24 April 2016 for the provisional FF Licence					

Particulars of non-compliance	Reasons for non-compliance	Legal consequences and potential maximum penalties	Remedial actions and status	Any operational and/or financial impact on our Group	Enhanced internal control measures to prevent re-occurrence of non-compliance
<p><i>1.2 Gap periods between licences</i></p> <p>Eight of our retail outlets operated business without the requisite licences during the following periods as there were time gaps between the expiry date of the provisional licences and the effective date of the subsequent full licences for such retail outlets, contravening section 31(1) of the FBR and section 17(1) of the FCR:</p> <p>(a) TenRen shop no. 1: from 29 January 2017 to 2 March 2017 for the full FF Licence and 2 February 2017 to 2 March 2017 for the full FCF Licence</p> <p>(b) TenRen shop no. 4a: from 14 May 2014 to 22 May 2014 for the full FF Licence</p> <p>(c) TenRen shop no. 8: from 23 July 2015 to 11 August 2015 for the full FF Licence</p> <p>(d) TenRen shop no. 14: from 16 March 2016 to 23 March 2016 for both the full FF Licence and FCF Licence</p> <p>(e) TenRen shop no. 16: from 14 April 2016 to 2 May 2016 for the full FF Licence and 13 April 2016 to 2 May 2016 for the full FCF Licence</p> <p>(f) Uncle Tetsu retail outlet in Causeway Bay: from 11 July 2016 to 15 September 2016 for the full FF Licence</p> <p>(g) Uncle Tetsu retail outlet in Mongkok: from 29 September 2016 to 16 October 2016 for the full FF Licence</p> <p>(h) A Taiwanese street food retail outlet in Mongkok: from 25 October 2016 to 31 October 2016 for the full FF Licence</p>	<p>The non-compliance was attributed to the inadequate knowledge and impression of our responsible staff at the relevant time, who believed that our Group had fulfilled all specified conditions required by the FEHD for the issuance of a full licence before the expiration of a provisional licence.</p> <p>However, the FEHD's officers had not been able to arrange the visit for inspection of the said fulfilment by our Group before the end of the validity periods of the provisional licences due to scheduling problem, giving rise to the gap periods between the provisional and subsequent full licences.</p> <p>For all the gap periods, the later visits by the FEHD's officers did confirm and validate the fulfilment of all specified conditions required for the issuance of a full licence by our Group, as the corresponding full licences were eventually issued.</p>	<p>It is provided under section 35(1) of the FBR that any person who contravenes section 31(1) of the FBR shall be guilty of an offence. According to section 35(3) of the FBR, the maximum penalty for failing to obtain a FF Licence under section 31 of the FBR is a fine of HK\$50,000 and HK\$900 for each day of continued default and an imprisonment for six months.</p> <p>Similarly, section 41(1) of the FCR provides that any person who contravenes section 17(1) of the FCR commits an offence. According to section 41(2)(a) of the FCR, the maximum penalty for failing to obtain a FCF Licence is a fine of HK\$50,000 and HK\$900 for each day of continued default and an imprisonment for six months.</p>	<p>All full FF Licences and FCF Licences required for the relevant retail outlets were subsequently granted by the FEHD.</p>	<p>There has been no warnings received by nor any potential prosecution action taken against our Group during the non-compliance period and up to the Latest Practicable Date.</p> <p>As advised by the Counsel, our Group will be able to invoke the Time Bar Defence pursuant to section 26 of the MO should prosecution be commenced as the gap periods of each retail outlet concerned have ended more than six months as at the Latest Practicable Date. In such circumstances, the Counsel is of the opinion that the Time Bar Defence would already have fully disposed of the potential risk of criminal sanction arising under all such non-compliances.</p> <p>No provision has been made in the audited accounts of our Group in respect of its liabilities, if any, arising from such non-compliances given there is no risk of prosecution. Our Directors, having considered the opinion of the Counsel, are of the view that such non-compliance would not have any material financial and operational impact on our Group.</p>	<p>We have established and implemented policies and procedures and designated Ms. Janny Tin, our executive Director, and Mr. Tang Kwok Hay, our company secretary, to monitor the licences application and/or renewal process of all requisite licences for our operations.</p> <p>Ms. Janny Tin and Mr. Tang Kwok Hay will oversee the pending expiry dates and coordinate timely preparation and submission of renewal applications of all licences.</p> <p>After Listing, Ms. Janny Tin and Mr. Tang Kwok Hay will check the expiry date of all licences monthly and our Group will also engage new external licencing consultants to provide professional advice, such as updates on the regulatory requirements applicable to the operations of food business, to ensure our compliance with relevant statutory requirements in the future.</p> <p>We will also engage external legal advisers after Listing to advise on the applicable laws and regulation and provide training to our Directors and staff when required.</p>

INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. To manage our external and internal risks and to ensure the smooth operation of our business, we have engaged an internal control adviser in August 2017 to assist our Group to review and provide recommendations on improving our internal control system and we have enhanced our internal control system in accordance with the recommendation of such review.

We have established the following measures and structures to manage our risks:

- (1) our Board carries out a thorough examination of any material risks associated with any material business decision before approving such decision;
- (2) our Directors and senior management keep track of day-to-day operations and monitor any associated operational risks of our Group. They are responsible for evaluating potential market risks related to fluctuations in industrial environment and market variables, identifying irregularities in connection with operational, credit and market risks, and formulating policies and resolutions to mitigate or resolve these risks. For details of the qualification and experience of our Directors and senior management, please see “Directors and Senior Management”;
- (3) our audit committee reviews the internal control system and procedures for compliance with the requirements prescribed by the applicable laws, rules and regulations;
- (4) as part of the preparation for Listing, our Directors have received training on their responsibilities as directors of a Hong Kong listed company, including on their fiduciary duties to act in the best interest of our Group. We will also continue to arrange various trainings to be provided by Hong Kong legal advisers to our Directors, senior management and employees on the Listing Rules, including but not limited to aspects related to corporate governance and connected transactions;
- (5) we have appointed Lego Corporate Finance Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules upon Listing; and
- (6) we provide training to our employees in order to enhance their industry knowledge and to encourage an all-embracing culture of risk management ensuring that all employees are aware of and responsible for managing risks.

In addition to the engagement of an internal control consultant as abovementioned, we will appoint external legal advisers after Listing to advise us on compliance with and to provide us with updates on the changes in the Listing Rules and the applicable Hong Kong laws, rules and regulations from time to time and as required. With the assistance of our external Hong Kong legal advisers, the compliance adviser and company secretary, it is our aim to maintain on-going and

BUSINESS

effective internal control system, risk management and corporate governance measures upon and after Listing, as well as to ensure that our Group's operations are in compliance with the applicable laws, rules and regulations in Hong Kong.

Our Directors confirm that no material failure occurred and we believe that our internal control and risk management system were sufficient and effective during the Track Record Period.

There are various other risks relating to our business and operations and market risks in the ordinary course of our business. For further details, please see "Risk Factors" and "Financial Information — Key Factors affecting our results of operations".

COMPETITION

Distribution Business

According to the Industry Report, the food and beverage distribution industry in which we operate our Distribution Business is highly competitive and fragmented with a diversified spectrum of market players. In 2016, the total number of local food and beverage distribution market players were over 8,000 (excluding retailers) regardless of the product categories that they distribute, accounting for approximately HK\$45.5 billion total market sales value. The food and beverage distribution industry is forecasted to maintain a stable growth, with the total sales value (excluding retail sales value) reaching approximately HK\$46.3 billion and HK\$49.8 billion by 2017 and 2021, respectively with a CAGR of approximately 1.9% from 2017 to 2021.

There are multiple entry barriers for new market players to establish business presence in the food and beverage distribution industry in Hong Kong. According to the Industry Report, these include the requirement of substantial capital investment on warehouse storage, inventory and logistics facilities, industry experience, knowledge in managing the product sales and strong relationship with customers in building a wide distribution and retail network and the capability to source and offer a wide range of food and beverage products as well as developing a diverse product and brand portfolio to cater for consumers' changing preferences.

Retail Business

On the other hand, according to the Industry Report, the tea drinks chain market in Hong Kong in which we operate our "TenRen (天仁茗茶)" 天仁茗茶 retail outlets is highly concentrated. As at 31 October 2017, there are approximately 500 tea drink retail outlets with approximately 10 major tea drinks chain brands in various scales in Hong Kong, in that the top three tea drinks retail brands accounted for approximately 62.4% of the total tea drinks chain market in terms of revenue for the period from 1 November 2016 to 31 October 2017 and approximately 19.2% of the total number of retail outlets as at 31 October 2017. The tea drinks chain industry is forecasted to maintain a steady growth, with the total sales revenue reaching approximately HK\$561.3 million and approximately HK\$611.9 million by 2017 and 2021, respectively with a CAGR of approximately 2.2% from 2017 to 2021.

BUSINESS

According to the Industry Report, the entry barriers for new market players to establish business presence in the food and beverage retail industry in Hong Kong include substantial sunk cost and upfront investment on the establishment of physical stores, food and beverage making appliances and procurement of raw materials, such as, tea leaves, milk, ice, etc., obtaining all applicable licences for the legal operation of retail outlets and establishing strong business relationship with suppliers.

In addition, according to the Industry Report, our Group's TenRen retail business was ranked first by revenue representing a market share of approximately 24.3% of the total market size of the tea drinks chain market. Top three leading market players are Taiwanese tea drinks industry retailers which have adopted a chain store business model, which compete primarily on (i) brand reputation; (ii) quality and variety of drinks; (iii) price; (iv) location; (v) number of branches; and (v) operation efficiency.

Please see "Industry Overview" for further information on the competitive landscape, growth and entry barriers of the food and beverage distribution and Taiwanese tea drinks retail industries in Hong Kong. We believe that our competitiveness is predicated on our long-standing history and established reputation in the industry, our ability to provide supply chain solutions, strong capabilities to source wide range of brand and product portfolio as well as our long-term and stable working relationships with our suppliers and customers.

Our Directors foresee our competitive strengths will solidify and further enhance our business with the implementation to our strategies with the additional funding support by the Share Offer. Please see "Business — Our strengths" and "Business — Our strategies" for further details.

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

OUR SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme, our Company will be owned as to (i) 25% by ACAC Investment, which is wholly owned by Mr. Andrew Chan; (ii) 25% by SCSC Holdings, which is wholly owned by Mr. Stephen Chan; and (iii) 25% by CCST Investment, which is wholly owned by Mr. William Chau. As each of ACAC Investment, Mr. Andrew Chan, SCSC Holdings, Mr. Stephen Chan, CCST Investment and Mr. William Chau is directly or indirectly entitled to exercise or control the exercise of 10% or more of the voting power at general meetings of our Company immediately upon completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme), each of them will be regarded as our Substantial Shareholders under the Listing Rules. Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau were parties acting collectively in respect of matters including management and control of the Hong Kong subsidiaries of our Company during the Track Record Period and up to the Latest Practicable Date, and will cease to be acting collectively upon and after Listing and therefore do not constitute a group of controlling shareholders (as defined under the Listing Rules) of our Company upon Listing. For details regarding the shareholding interest of our Substantial Shareholders, please see “Substantial Shareholders”.

Save as disclosed above, there is no other person who, immediately upon completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme), will be directly or indirectly interested in 10% or more of the Shares then in issue.

INDEPENDENCE FROM SUBSTANTIAL SHAREHOLDERS

Our Directors believe that we are capable of carrying on our business independently from, and do not place reliance on, our Substantial Shareholders and their respective close associates, taking into consideration the factors set out below.

Management independence

Our Board comprises four executive Directors and three independent non-executive Directors. Save and except for our executive Directors, namely Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau who are our Substantial Shareholders due to their respective interest in ACAC Investment, SCSC Holdings and CCST Investment as disclosed above, and Ms. Janny Tin who is the spouse of Mr. Andrew Chan, our Board comprises a balanced composition of independent non-executive Directors who have sufficient character, integrity and calibre for their views to carry weight, and thus can effectively exercise independent judgment. In addition, each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and must not allow any conflict to arise between his/her duties as a Director and his/her personal interests.

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

If our Directors are, to their knowledge, in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Group, the interested Directors shall declare such interest at the meeting of the Board at which the relevant transactions are to be first considered in accordance with the Articles of Association. The interested Directors shall also abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum in accordance with the Articles of Association. As such, Mr. Andrew Chan, Mr. Stephen Chan, Mr. William Chau and Ms. Janny Tin will not vote on those matters or transactions relating to any of our Substantial Shareholders which would give rise to any potential conflicts of interest at Board meetings and they would not be counted towards the quorum at the relevant meetings.

Since each of ACAC Investment, SCSC Holdings and CCST Investment has no business other than holding the shareholding interest in our Company, our Directors do not foresee any issues which may affect our management independence.

Three out of our seven Board members are independent non-executive Directors who have extensive experience in different professions. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of our Directors from different backgrounds provides a balance of views and opinions.

Furthermore, our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles of Association and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Having considered the above factors and in light of the non-competition undertakings given by our Substantial Shareholders in favour of our Group (as more particularly disclosed in “— Deed of Non-competition”), our Directors are satisfied that they are able to perform their roles in our Group independently and are of the view that they are capable of managing our business independently from our Substantial Shareholders and their respective close associates after Listing.

Operational independence

We have our own independent sales and marketing, quality assurance, design, retail operation, procurement and leasing, finance, warehouse, human resources and administration teams. The business processes and procedures of our Group are independently conducted.

Further, our Group either holds or is the licensee of, or is in the course of applying for registration of, all the trademarks which are material in relation to our business. Please see “Statutory and General Information — Further information about the business of our Group — 10. Intellectual property rights of our Group” in Appendix IV to this prospectus for details. We have sufficient capital, equipment and employees to operate our business independently from our Substantial Shareholders and their respective close associates. Our Group is the holder of all necessary licences and permits for our business operations as at the Latest Practicable Date. Please see “Business — Licences, certificates and registrations” for details.

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

We have access to our customers and suppliers who are third parties independent from and not connected with our Substantial Shareholders and their respective close associates.

We have implemented a set of internal control procedures to facilitate the effective and independent operation of our business. Further, save for certain continuing connected transactions of our Group as disclosed in “Connected Transactions”, there have been no business dealings between our Group and the Substantial Shareholders and their respective associates as at the Latest Practicable Date. Our Directors are of the view that our Group will not rely on the relevant Substantial Shareholders and their respective associates in respect of the aforesaid continuing connected transactions because (i) the alternative supply of insurance brokerage and logistic services and leasing of warehouses are available from other third parties; and/or (ii) the expected annual caps are immaterial to our Group. Please see the annual caps in “Connected Transactions” for details.

Based on the above, our Directors consider that our Group is operationally independent from our Substantial Shareholders and their respective close associates.

Financial viability and independence

Our Company has an independent financial system and makes financial decisions according to its own business needs. We have our own internal control and accounting system, finance department and independent treasury function for cash receipts and payments and we make financial decisions according to our own business needs.

During the Track Record Period and up to the Latest Practicable Date, we financed our operations through a combination of bank borrowings, internally generated funds and advances from our Substantial Shareholders. As at the Latest Practicable Date, the bank borrowings of our Group were secured by, inter alia, (i) personal guarantees by our Substantial Shareholders; and (ii) cross guarantees, inter alia, by our Group’s related companies. The relevant lending banks have agreed in principle that such personal guarantees and cross guarantees will be released and be replaced by corporate guarantees from our Company upon Listing.

Pursuant to the terms of the three banking facilities of HK\$121.2 million in aggregate entered into by, among others, our subsidiaries, Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau shall collectively hold not less than 51% of the entire issued share capital of the Company or Wise Fine (as the case may be), breach of which may cause the aforesaid banking facilities become immediately due and payable by our Group. Save as disclosed above, as at the Latest Practicable Date, there is no other specific performance obligation imposed on any of our Substantial Shareholders according to the banking facilities entered into by our Group and breach of such obligation will cause a default in respect of such facilities that are significant to our Group’s operations.

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

OUR GROUP'S BUSINESS AND THE OTHER BUSINESS

During the Track Record Period and up to the Latest Practicable Date, apart from our Distribution Business and Retail Business, certain of our Substantial Shareholders and/or their respective close associates, namely Mr. William Chau and his spouse, Ms. Tan Ching Bee, and Mr. Stephen Chan, had interests in certain food wholesale and/or retail business (the “**Other Business**”). The following table sets out below the sole proprietorships and/or companies (as the case may be) involved in the operation of the Other Business as held by Mr. William Chau or his spouse, Ms. Tan Ching Bee, or Mr. Stephen Chan (as the case may be) during the Track Record Period and up to the Latest Practicable Date:

<u>Sole Proprietorship/ Company</u>	<u>Place of Establishment/ Incorporation</u>	<u>Date of Establishment/ Incorporation</u>	<u>Principal Business</u>	<u>Owner(s)/Shareholder(s) as at the Latest Practicable Date</u>
1. New Odaiba	Hong Kong	10 June 2003	(i) Wholesale of grocery products during the Track Record Period (ceased from July 2017) (ii) Retail of food products (to be ceased in November 2019)	Ms. Tan Ching Bee, the spouse of Mr. William Chau, trading as sole proprietor
2. D & W Balloon Company (formerly known as B & S Trading Company) (“ D & W Balloon ”)	Hong Kong	1 April 2005	(i) Wholesale of balloons (ii) Wholesale of food products during the Track Record Period (ceased from September 2017)	Mr. William Chau, trading as sole proprietor
3. Best Sky Hong Kong Limited 百事佳香港有限公司 (“ Best Sky HK ”)	Hong Kong	28 January 2004	Wholesale of confectionery products	Mr. Stephen Chan (60%)
4. 賓仕佳貿易(深圳)有限公司 (Best Sky (Shenzhen) Trading Company Limited*) (“ Best Sky PRC ”)	PRC	21 October 2008	Wholesale of confectionery products	Best Sky HK (100%)

* The English name of the PRC entity mentioned herein and marked with “*” is a translation from its Chinese name and is for identification purposes only.

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

For the three years ended 31 March 2015, 2016 and 2017 and five months ended 31 August 2016 and 2017, we sold grocery and food products to New Odaiba which amounted to approximately HK\$35.3 million, HK\$19.2 million, HK\$19.0 million, HK\$7.7 million and HK\$5.7 million, respectively, representing approximately 12.5%, 6.4%, 5.2%, 5.4% and 3.4% of our Group's total revenue for the respective periods. New Odaiba was our second largest customer during the Track Record Period. Our Directors considered the sales to New Odaiba during the Track Record Period were carried out in the ordinary course of business of our Group, based on normal commercial terms, fair and reasonable despite that our Group generally charged a relatively lower gross profit margin for New Odaiba as compared to our other independent customers under the Distribution Business during the Track Record Period, having considered (a) the relatively large sales volume to New Odaiba; (b) the absence of transportation cost as New Odaiba would pick up the products at our warehouses; and (c) that we spent less resources on sales and customer relationship for New Odaiba as compared to our other independent major customers in view of our close relationship. For the three years ended 31 March 2015, 2016 and 2017 and five months ended 31 August 2016 and 2017, we sold food products to D & W Balloon which amounted to approximately HK\$5.4 million, HK\$4.2 million, HK\$6.2 million, HK\$2.6 million and HK\$2.2 million, respectively, representing approximately 1.9%, 1.4%, 1.7%, 1.8% and 1.3% of our Group's total revenue for the respective periods. For the two years ended 31 March 2015 and 2016, we sold confectionery products to Best Sky PRC which amounted to approximately HK\$0.6 million and HK\$0.8 million, respectively, representing approximately 0.2% and 0.3% of our Group's total revenue for the respective periods. There was no transaction conducted between our Group and Best Sky HK during the Track Record Period.

As at the Latest Practicable Date, apart from the business in which our Group is involved in and save as disclosed in the above table, our Directors, our Substantial Shareholders and their respective close associates were not engaged or did not have any interest in any business which, either directly or indirectly, competes or may compete with the business of our Group.

Reasons for non-inclusion of the Other Business into our Group

The reasons for not including the Other Business into our Group are as follows:

- (i) The business focus and target customers of the Other Business and our Group are different, as further discussed in “— Delineation of business — Details of differences between our Group's business and the Other Business”. To the best of our Directors' knowledge, the Other Business has no present plan or intention to expand beyond its current scope. In particular, the owner of New Odaiba intends to gradually scale down and eventually cease the retail business of New Odaiba by November 2019 (being the last expiry date of the lease agreements of its retail shops) as it is not in the commercial interests for the owner of New Odaiba to continue the retail business of New Odaiba due to its loss-making performance since 2015. Our Directors believe that the cessation of the retail business of New Odaiba will minimise any potential competition with our Group's business. Our Directors do not expect any overlap or competition between our Group's business and the Other Business in any material aspects; and

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

- (ii) the Other Business are not owned in equal proportion or operated collectively by our Substantial Shareholders. None of our executive Directors and Substantial Shareholders owned or controlled New Odaiba. During the Track Record Period and up to the Latest Practicable Date, none of our executive Directors and Substantial Shareholders, including Mr. William Chau and Mr. Stephen Chan, were actively involved in the day-to-day operation of the Other Business. Therefore, the operation of our Group is segregated from, and has no influence over, the operation of the Other Business. Accordingly, our Directors are of the view that it does not appear to be in our Group's interests to include the Other Business in our Group.

DELINEATION OF BUSINESSES

Summary of major differences between our Group's business and the Other Business

The following table sets forth a summary of the major differences between our Group's business and the Other Business during the Track Record Period and as at the Latest Practicable Date:

	Our Group	New Odaiba	D & W Balloon	Best Sky HK	Best Sky PRC
Business focus and services	Retail and distribution of food products with supply chain solutions	(i) Wholesale of grocery products without supply chain solutions (ceased from July 2017) (ii) Retail of food products (to be ceased in November 2019)	(i) Wholesale of balloons (ii) Wholesale of food products without supply chain solutions (ceased from September 2017)	Wholesale of food products without supply chain solutions	Wholesale of food products without supply chain solutions
Products	Food and beverage products sourced from overseas brand owners and/or local retailers	Mainly grocery products (ceased from July 2017) and Taiwanese packaged confectionery products (to be ceased in November 2019) sourced from our Group	(i) Balloons sourced from suppliers (ii) Food products sourced from our Group (ceased from September 2017)	Confectionery products sourced from food suppliers	Confectionery products sourced from our Group (ceased from March 2016) and other food suppliers

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

	<u>Our Group</u>	<u>New Odaiba</u>	<u>D & W Balloon</u>	<u>Best Sky HK</u>	<u>Best Sky PRC</u>
Major target customers	(i) Retailers which are usually supermarket, pharmacy, convenience store, department store chains in Hong Kong for the Distribution Business (ii) General consumers in Hong Kong for the Retail Business	(i) Catering service providers for the wholesale business (ii) General consumers in Hong Kong for the retail business	Private customers and companies in Hong Kong	Theme parks in Hong Kong	Theme parks in the PRC
Ownership and operation	Owned in equal proportion and operated collectively by our Substantial Shareholders	Not owned in equal proportion or operated collectively by our Substantial Shareholders	Not owned in equal proportion or operated collectively by our Substantial Shareholders	Not owned in equal proportion or operated collectively by our Substantial Shareholders	Not owned in equal proportion or operated collectively by our Substantial Shareholders

Details of differences between our Group's business and the Other Business

Our Directors are of the view that there is a clear delineation between our business and the Other Business for the following reasons:

(a) Different business focus and services, products and target customers

To the best knowledge and belief of our Directors, the Other Business and our business currently have different business focus and target customers.

(i) New Odaiba

New Odaiba engaged in (i) the retail of food products to general customers during the Track Record Period and up to the Latest Practicable Date; and (ii) the wholesale of grocery products to catering service providers during the Track Record Period until its cessation from July 2017, respectively.

As at the Latest Practicable Date, New Odaiba operated three retail outlets which sold Taiwanese confectionery products. As at the Latest Practicable Date, our Group managed one retail outlet for a Taiwanese candy brand and operated one retail outlet which sold Taiwanese confectionery products, respectively. Geographically, there is no direct competition between the respective retail outlets of our Group and New Odaiba.

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

The three retail outlets of New Odaiba as at the Latest Practicable Date were located in Sheung Shui, Wong Tai Sin and Tsuen Wan, respectively, while our aforesaid two retail outlets as at the Latest Practicable Date were both located in Causeway Bay.

For the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our aforesaid two retail outlets only contributed approximately 1.1%, 1.2%, 0.6% and 0.9% of our total revenue for the respective financial year/period and we have no current plans to expand the network of these two outlets at any time. Our Directors were informed by the owner of New Odaiba that she intends to gradually scale down and eventually cease the retail business of New Odaiba by November 2019 as it is not in the commercial interests for the owner of New Odaiba to continue the retail business of New Odaiba due to its loss-making performance since 2015. Our Directors believe that the cessation of the retail business of New Odaiba will minimise any potential competition with our Group's business. Accordingly, our Directors consider that the extent of competition between our Group's aforesaid retail business and New Odaiba's retail business is not an extreme case and will not have a material impact on our Group's business as a whole.

(ii) D & W Balloon

D & W Balloon engaged in (i) the wholesale of balloons during the Track Record Period and up to the Latest Practicable Date and (ii) the wholesale of food products during the Track Record Period until its cessation from September 2017.

It is clear that the wholesale business of balloons in D & W Balloon is entirely different from the business of our Group. Accordingly, there is no direct or indirect competition between our business and D & W Balloon's wholesale business of balloons.

(iii) Best Sky HK and Best Sky PRC

During the Track Record Period and up to the Latest Practicable Date, both Best Sky HK and Best Sky PRC engaged in the wholesale of confectionery products to its target customers, being theme parks in Hong Kong and the PRC, respectively. Our Directors confirm that Best Sky HK does not source its confectionery products from our Group but from other suppliers. Our Directors also confirm that since March 2016, Best Sky PRC no longer sourced its confectionery products from our Group.

In addition, our Directors confirm that the confectionery products of Best Sky HK and Best Sky PRC are exclusively provided to theme parks in Hong Kong and the PRC, respectively, and such products do not overlap with the confectionery products sold by our Group. Further, unlike our Group, neither Best Sky HK nor Best Sky PRC offers supply chain solutions to their respective customers.

Our Directors consider that the respective target customers and the respective business focus of Best Sky HK and Best Sky PRC can be delineated from those of our Group. Accordingly, there is no direct or indirect competition between our business and the respective businesses of Best Sky HK and Best Sky PRC.

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

(b) Different operational system

Despite that Mr. William Chau is the owner of D & W Balloon and that Mr. Stephen Chan is a director of Best Sky HK, our Directors confirm that Mr. William Chau and Mr. Stephen Chan are not actively involved in the day-to-day operations of the Other Business. In particular, Mr. William Chau has delegated the daily operation of D & W Balloon to a staff member who has no past or present involvement in the management or operations of our Group. Further, Mr. Stephen Chan, as a director and shareholder of Best Sky HK, is not actively involved in its day-to-day operations. New Odaiba is a sole proprietorship owned and managed by Ms. Tan Ching Bee, the spouse of Mr. William Chau, and Mr. William Chau is not involved in the day-to-day operations of New Odaiba. None of our Directors holds any directorship or assumes any operational role in Best Sky PRC as at the Latest Practicable Date. Accordingly, our Directors confirm that none of our Directors (except for the relevant positions of Mr. William Chau and Mr. Stephen Chan in the Other Business) assumes any operational role or position in any of the Other Business.

Our Group makes business decisions independent of the Other Business. The business process and procedures of the Other Business and our Group are separately conducted. Given (i) the complete separation of the employees in our Group and those in the sole proprietorship and/or companies operating the Other Business who are responsible for handling the day-to-day operations; and (ii) the completely segregated financial, accounting, administration, sales and marketing, quality control, information technology and customer service functions between our Group and Other Business, the operations of our Group are independent of and separate from the Other Business.

(c) Different financial system

Our Directors confirmed that we have our own accounting system, financial department and treasury function for cash receipts and payments, which are entirely independent of the Other Business. As at the Latest Practicable Date, (i) a banking facility dated 10 June 2016 (and supplemented on 30 November 2017) was entered into, inter alia, by Best Sky HK as borrower and Wise Fine, Best Source and Mr. Stephen Chan as the guarantors, and (ii) a banking facility dated 17 August 2017 (and supplemented on 30 November 2017) was entered into, inter alia, by Wise Fine and Best Source as borrowers, Best Sky HK and our Substantial Shareholders as guarantors (collectively, the “**Banking Facilities**”). The bank who granted the Banking Facilities has agreed in principle that the cross guarantees among Wise Fine, Best Source and Best Sky HK will be released upon Listing. Save and except for the Banking Facilities, as at the Latest Practicable Date, there was no arrangement involving provision of guarantee, security and/or other form of financial assistance provided to/from our Group by/ to the Other Business, and our Directors confirmed that there was no sharing of banking facilities between our Group and the Other Business.

Taking into account the above, our Directors consider that there is a clear delineation between our Group’s business and the Other Business. Our Directors also do not expect that there will be any overlap or competition between the Other Business and our Group’s business in any

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

material aspects after the Listing. Each of our Directors, including Mr. William Chau and Mr. Stephen Chan, confirmed that there is no intention to merge our Group and the Other Business at any time.

LOCK-UP UNDERTAKINGS

Each of our Substantial Shareholders has jointly and severally undertaken to the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) that, he/it shall not, and shall procure that the relevant registered holder(s) shall not at any time within the twelve months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner(s). For details, please see “Underwriting — Underwriting arrangements and expenses”.

Each of our Substantial Shareholders believes that the above arrangement demonstrates his/its commitment to our Group and confidence in our Group’s future development.

DEED OF NON-COMPETITION

For the purpose of the Listing, our Substantial Shareholders have entered into with and in favour of our Company (for ourselves and as trustee for our subsidiaries) the Deed of Non-competition. Pursuant to the Deed of Non-competition, each of our Substantial Shareholders has confirmed that, save and except (i) the retail of food products by New Odaiba which is owned by Ms. Tan Ching Bee, the spouse of Mr. William Chau (the “**New Odaiba Retail Business**”); (ii) the wholesale of confectionary products by Best Sky HK which is owned as to 60% by Mr. Stephen Chan (the “**Best Sky HK Wholesale Business**”); and (iii) the wholesale of confectionary products by Best Sky PRC which is owned as to 100% by Best Sky HK (the “**Best Sky PRC Wholesale Business**”) as disclosed in “— Our Group’s business and the Other Business” (collectively the “**Exempt Interests**”), none of them is engaged in, or interested in, any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

To protect our Group from any potential competition, each of our Substantial Shareholders has unconditionally and irrevocably undertaken in favour of our Company (for ourselves and for the benefits of our subsidiaries), on a joint and several basis, that at any time during the Relevant Period (as defined below), each of them shall, and shall procure that their respective close associates and/or companies controlled by them (other than our Group) shall:

- (a) not, directly or indirectly, be interested or involved or engaged in or carry on or be concerned with or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group in Hong Kong and any other country or jurisdiction to which our Group provides such products and/or services and/or in which any member of our Group carries on business mentioned above currently and from time to time, save and except the Exempt Interests (the “**Restricted Activity**”);

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

- (b) not solicit any existing employee or then existing employee of our Group for employment by it/him/her or its/his/her close associates (excluding our Group);
- (c) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/his/her knowledge in its/his/her capacity as the Substantial Shareholder or otherwise for any purpose of engaging, investing or participating in any Restricted Activity;
- (d) not, either on its/his/her own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any Restricted Activity;
- (e) not, either on its/his/her own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, solicit or endeavour to entice away from or discourage from dealing with our Group any person who was at any time during the period of one year preceding the date of the Deed of Non-competition a manufacturer for, a brand owner or supplier or subcontractor, customer or client of our Group;
- (f) if there is any project or new business opportunity that relates to the Restricted Activity and is offered or becomes aware to our Substantial Shareholders, they shall (i) promptly refer such project or new business opportunity to our Group in writing for consideration and provide such information as is reasonably required in order to enable our Group to come to an informed assessment of such opportunity, (ii) use its/his/her best endeavours to procure that such opportunity is offered to our Group on terms no less favourable than the terms on which such opportunity is offered to such Substantial Shareholder and/or its/his/her close associates, and (iii) with regard to any project or new business opportunity shall have been rejected by our Group and the principal terms of which our Substantial Shareholders and/or any of his/her/its close associates and/or entities or companies controlled by he/she/it invest or participate are no more favourable than those made available to our Company;
- (g) not invest or participate in or carry on any project or business opportunity of the Restricted Activity; and
- (h) procure its/his/her close associates (excluding our Group) not to invest or participate in or carry on any project or business opportunity of the Restricted Activity.

The above undertakings under the Deed of Non-competition do not apply to:

- (a) the holding of, or interests in, the shares of any members of our Group;
- (b) the holding of, or interests in, the shares of a company other than a member of our Group whose shares are listed on a recognised stock exchange provided that the total number of the shares held by the relevant Substantial Shareholder and/or its/his/her close associates does not exceed 5% of the issued shares of that class of the company in

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

question, and such Substantial Shareholder and its/his/her respective close associates, whether acting singly or jointly, would not participate in or be otherwise involved in the management of the company in question.

Each of our Substantial Shareholders has further unconditionally and irrevocably undertaken in favour of our Company (for ourselves and for the benefits of our subsidiaries) not to increase their interests in each of (i) the New Odaiba Retail Business, (ii) the Best Sky HK Wholesale Business and (iii) the Best Sky PRC Wholesale Business; or expand the scope of each of these three aforesaid businesses which may constitute a Restricted Activity.

In addition, each of our Substantial Shareholders has unconditionally and irrevocably undertaken to our Company (for ourselves and for the benefit of our subsidiaries):

- (a) to allow our Directors, their respective representatives and our auditors to have sufficient access to the records of each of our Substantial Shareholders and their respective close associates to ensure compliance with the terms and conditions of the Deed of Non-competition;
- (b) to provide to our Group and our Directors (including the independent non-executive Directors) from time to time all information necessary for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-competition by our Substantial Shareholders;
- (c) to make an annual declaration as to full compliance with the terms of the Deed of Non-competition and give consent to disclose such letter in our annual report (where necessary and appropriate).

The Deed of Non-competition will become effective upon the Share Offer becoming unconditional. The obligations of each of our Substantial Shareholders under the Deed of Non-competition will remain in effect during the period (the “**Relevant Period**”) from the Listing Date until the earlier of the date on which:

- (a) our Substantial Shareholder, together with his/her/its close associates, cease to be interested directly or indirectly in 10% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a Substantial Shareholder) or more of the issued share capital of our Company; or
- (b) our Shares cease to be listed and traded on the Stock Exchange.

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the possible competing business of our Substantial Shareholders and to safeguard the interests of our Shareholders:

- (i) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Substantial Shareholders, and the decisions on matters reviewed will be disclosed in our annual reports (where necessary and appropriate);
- (ii) an annual declaration as to full compliance with the terms of the Deed of Non-competition will be made by our Substantial Shareholders, and will be disclosed in our annual reports (where necessary and appropriate);
- (iii) our Directors will operate in accordance with our Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested; and
- (iv) pursuant to the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company’s cost.

We will follow the measures in the CG Code which sets out the principles of good corporate governance in relation to, among others, Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our annual reports.

CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, our Group entered into a number of related party transactions, details of which are set out in Note 30 to the Accountant's Report. Save as disclosed below, these related party transactions of our Group were discontinued before the Latest Practicable Date.

Set out below is a summary of the continuing connected transactions:

Item No.	Nature of transaction(s)	Connected person(s)	Approximate historical transaction amount				
			Year ended 31 March			Five months ended 31 August	
			2015 <i>(HK\$'000)</i>	2016 <i>(HK\$'000)</i>	2017 <i>(HK\$'000)</i>	2016 <i>(HK\$'000)</i>	2017 <i>(HK\$'000)</i>
							(Unaudited)
1.	Provision of insurance brokerage services to our Group	Winford Insurance Brokers Limited	412	450	425	185	243
2.	Sales of products by our Group	New Odaiba	35,337	19,199	19,031	7,689	5,702
3.	Leasing of properties to our Group	Best Source and Ms. Janny Tin	5,881	5,881	5,881	2,450	2,450
4.	Provision of logistic services to our Group	Bo Shing Logistic Limited	8,336	9,411	10,343	4,107	4,561

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into the following continuing connected transactions, each of which will be fully exempt from the disclosure and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

1. Provision of insurance brokerage services to our Group

During the Track Record Period and up to the Latest Practicable Date, Winford Insurance Brokers Limited ("**Winford**") has been providing packaged insurance brokerage services to our Group by assisting our Group in procuring insurance policies which were taken out with Independent Third Party insurer(s) (the "**Insurance Brokerage Services**"). On 12 February 2018, Winford entered into a master agreement (the "**Master Agreement with Winford**") with our Company, pursuant to which Winford agreed to provide us with the Insurance Brokerage Services for a period from the Listing Date to 31 March 2020.

CONNECTED TRANSACTIONS

Under the premise of compliance with the Master Agreement with Winford, our Group and Winford shall further execute separate individual agreements in respect of specific Insurance Brokerage Services and determine the specific terms and conditions of the Insurance Brokerage Services, such as premium (consisting of premium payable to Independent Third Party insurers and the insurance brokerage service fee payable to Winford) for any insurance policy proposed by Winford (the “**Premium**”).

The Premium would be payable by our Group on an annual basis pursuant to the Master Agreement with Winford. The terms and conditions of the transactions contemplated under the Master Agreement with Winford shall be on normal commercial terms, negotiated on an arm’s length basis having regard to arm’s length negotiated volume discounts, fair and reasonable and no less favourable to our Group than those offered by other Independent Third Parties for similar services.

Previous transactions and historical transaction amounts

Set out below are the historical transaction amounts paid by our Group to Winford during the Track Record Period:

	<u>HK\$’000</u>
Year ended 31 March 2015	412
Year ended 31 March 2016	450
Year ended 31 March 2017	425
Five months ended 31 August 2016	185
Five months ended 31 August 2017	243

Such historical transaction amounts reflected the actual level of requirement for the Insurance Brokerage Services by our Group during the Track Record Period, taking into consideration the premium for each insurance policy and the number of such insurance policies proposed by Winford and obtained by our Group.

Annual caps and basis

The annual caps for the total Premium payable by our Group to Winford for the three years ending 31 March 2018, 2019 and 2020 are set out below:

	<u>HK\$’000</u>
Year ending 31 March 2018	53
Year ending 31 March 2019	860
Year ending 31 March 2020	1,150

In determining the annual caps, we have made references to (i) the historical transaction amounts paid by our Group; (ii) the current general insurance market trend and the current market rate of similar services provided by Independent Third Party insurers; (iii) the anticipated scale of our Group’s business operation; and (iv) the anticipated insurance coverage required by our Group.

CONNECTED TRANSACTIONS

Our Directors consider that the insurance coverage required by our Group for each of the three years ending 31 March 2018, 2019 and 2020 will increase due to the expansion of our operation scale. Specifically, all of the retail outlets operated by our Group were covered by insurance packages as at the Latest Practicable Date, and our Directors intend to also purchase insurance policies from Winford for all of the new retail outlets to be opened by our Group for the three years ending 31 March 2020, which would lead to an increase in the total Premium to be paid by our Group during such period. On the other hand, the relatively lower historical transaction amounts during the Track Record Period were attributable to the discretionary discounts offered by the Independent Third Party insurer(s) on the insurance premium paid by our Group, and we cannot guarantee that such discretionary discounts will be offered to us in respect of the new insurance policy(ies) for the new retail outlets. Therefore, the annual caps for the total Premium payable by our Group for each of the three years ending 31 March 2018, 2019 and 2020 will be higher than the historical transaction amounts during the Track Record Period.

Implications under the Listing Rules

As Winford is wholly-owned by the cousin of Mr. William Chau, our executive Director and Substantial Shareholder, it is deemed to be a connected person of our Company after Listing. The transactions contemplated under the Master Agreement with Winford will constitute continuing connected transactions for our Company pursuant to the Listing Rules.

Our Directors (including our independent non-executive Directors) consider that the Master Agreement with Winford was entered into on an arm's length basis and in the ordinary and usual course of business, and that the transactions contemplated under the Master Agreement with Winford and the annual caps are on normal commercial terms, fair and reasonable and in the interests of our Group and our Shareholders as a whole.

Given that each of the applicable percentage ratios (other than the profit ratio) for the transactions contemplated under the Master Agreement with Winford calculated by reference to Rule 14.07 of the Listing Rules is expected to be less than 5% and the annual consideration is less than HK\$3,000,000, the transactions contemplated under the Master Agreement with Winford fall within the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules and will be exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements.

CONNECTED TRANSACTIONS

2. Sales of products by our Group

During the Track Record Period and up to the Latest Practicable Date, we have been selling products which were mainly grocery products (ceased from July 2017) and Taiwanese packaged confectionery products (the “**Taiwanese Products**”) to New Odaiba. On 12 February 2018, Ms. Tan Ching Bee (trading as New Odaiba) entered into a master agreement (the “**Master Agreement with New Odaiba**”) with our Company, pursuant to which we agreed to sell the Taiwanese Products to New Odaiba for a period from the Listing Date to 31 March 2020.

New Odaiba was one of our five largest customers during the Track Record Period. To the best knowledge of our Directors, Ms. Tan Ching Bee plans to cease the business of New Odaiba when the last lease of New Odaiba’s retail outlet expires in November 2019.

Under the premise of compliance with the Master Agreement with New Odaiba, our Group and New Odaiba shall further execute separate individual agreement(s) or purchase order(s) in respect of specific sales of Taiwanese Products and determine the specific terms and conditions of the sales of Taiwanese Products, such as the sales price to be charged by our Group for each of the Taiwanese Products (the “**Sales Price**”).

The Sales Price would be payable by New Odaiba on a monthly basis pursuant to the Master Agreement with New Odaiba. The terms and conditions of the transactions contemplated under the Master Agreement with New Odaiba shall be on normal commercial terms, negotiated on an arm’s length basis, fair and reasonable and no less favourable to our Group than those offered to other Independent Third Parties for sales of similar products.

Previous transactions and historical transaction amounts

Set out below are the historical transaction amounts paid by New Odaiba to our Group in relation to the sales of grocery products (ceased from July 2017) and Taiwanese Products during the Track Record Period:

	<u>HK\$’000</u>
Year ended 31 March 2015	35,337
Year ended 31 March 2016	19,199
Year ended 31 March 2017	19,031
Five months ended 31 August 2016	7,689
Five months ended 31 August 2017	5,702

Such historical transaction amounts were attributable to the revenue generated from the sales of grocery products and Taiwanese Products by our Group during the Track Record Period, taking into account the price and quantity of each of the grocery products and Taiwanese Products sold.

The decrease in the historical transaction amount from the year ended 31 March 2015 to the year ended 31 March 2016 was primarily due to the decrease in the number of outlets operated by New Odaiba during the period.

CONNECTED TRANSACTIONS

Annual caps and basis

The annual caps for the total Sales Price payable by New Odaiba to our Group in respect of the Taiwanese Products for the three years ending 31 March 2018, 2019 and 2020 are set out below:

	<u>HK\$'000</u>
Year ending 31 March 2018	350
Year ending 31 March 2019	2,500
Year ending 31 March 2020	1,200

In determining the annual caps, we have made references to (i) the historical transaction amounts paid to our Group; (ii) the current market rate of sales of similar products sold by our Group to Independent Third Parties; (iii) the estimated Sales Price set by us for each of the Taiwanese Products; (iv) our estimated costs of the sales of Taiwanese Products; (v) the anticipated quantity of the Taiwanese Products involved in our sales; and (vi) the expected scaling down and cessation of business of New Odaiba by November 2019. Our Directors consider that the expected operation scale of New Odaiba and the expected quantity of the Taiwanese Products to be sold by us to New Odaiba for each of the three years ending 31 March 2018, 2019 and 2020 will decrease compared with the operation scale of and previous transactions with New Odaiba during each of the three years ended 31 March 2015, 2016 and 2017, hence the annual caps for the total Sales Price payable to our Group for each of the three years ending 31 March 2018, 2019 and 2020 will be lower than the historical transaction amounts during the Track Record Period.

Implications under the Listing Rules

New Odaiba is a sole proprietorship established by Ms. Tan Ching Bee. As Ms. Tan Ching Bee is the spouse of Mr. William Chau, our executive Director and Substantial Shareholder, she is an associate of Mr. William Chau and a connected person of our Company after Listing. The transactions contemplated under the Master Agreement with New Odaiba will constitute continuing connected transactions for our Company pursuant to the Listing Rules.

Our Directors (including our independent non-executive Directors) consider that the Master Agreement with New Odaiba was entered into on an arm's length basis and in the ordinary and usual course of business, and that the transactions contemplated under the Master Agreement with New Odaiba and the annual caps are on normal commercial terms, fair and reasonable and in the interests of our Group and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Given that each of the applicable percentage ratios (other than the profit ratio) for the transactions contemplated under the Master Agreement with New Odaiba calculated by reference to Rule 14.07 of the Listing Rules is expected to be less than 5% and the annual consideration is less than HK\$3,000,000, the transactions contemplated under the Master Agreement with New Odaiba fall within the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules and will be exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into the following transactions (the “**Non-exempt Continuing Connected Transactions**”), each of which will, upon Listing, constitute non-exempt continuing connected transactions for our Company subject to the disclosure and/or circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

1. Leasing of properties to our Group

Wise Fine entered into five tenancy agreements with (i) Best Source on 22 November 2017 and (ii) Best Source and Ms. Janny Tin on 22 November 2017, respectively (collectively, the “**Tenancy Agreements**”), pursuant to which certain properties in Yau Tong, Hong Kong (collectively, the “**Premises**”) are leased to our Group subject to the terms and conditions of the Tenancy Agreements. Set out below is the summary of the terms of the Tenancy Agreements:

Date	Landlord	Tenant	Property	Monthly rental	Term	Use of property
1. 22 November 2017	Best Source	Wise Fine	Unit No. 1, 2/F with flat roof; Unit No. 2, 2/F; Unit No. 1, 4/F; and Unit No. 1, 11/F of Blk A, Ko Fai Ind Bldg, 7 Ko Fai Rd, Kowloon, Hong Kong	HK\$488,000 (excluding service charges and other outgoings payable by Wise Fine)	Fixed term of three years commencing on 22 November 2017 and expiring on 21 November 2020 (both days inclusive)	For industrial, warehouse and ancillary use in connection with the business operation of our Group
2. 22 November 2017	Best Source and Ms. Janny Tin	Wise Fine	Unit No. 3, 5/F of Blk B, Ko Fai Ind Bldg, 7 Ko Fai Rd, Kowloon, Hong Kong	HK\$96,000 (excluding service charges and other outgoings payable by Wise Fine)	Fixed term of three years commencing on 22 November 2017 and expiring on 21 November 2020 (both days inclusive)	For industrial, warehouse and ancillary use in connection with the business operation of our Group

CONNECTED TRANSACTIONS

Previous transactions and historical rental

Set out below are the historical rental expenses in relation to the leases of the Premises during the Track Record Period:

Landlord	Tenant	Property	Historical rental					
			For the year ended 31 March			For the five months ended 31 August		
			2015	2016	2017	2016	2017	
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
1.	Best Source	Wise Fine	Unit No. 1, 2/F with flat roof; Unit No. 2, 2/F; Unit No. 1, 4/F; and Unit No. 1, 11/F of Blk A, Ko Fai Ind Bldg, 7 Ko Fai Rd, Kowloon, Hong Kong	4,902	4,902	4,902	2,042	2,042
2.	Best Source and Ms. Janny Tin	Wise Fine	Unit No. 3, 5/F of Blk B, Ko Fai Ind Bldg, 7 Ko Fai Rd, Kowloon, Hong Kong	979	979	979	408	408

For the three years ended 31 March 2015, 2016 and 2017 and five months ended 31 August 2016 and 2017, the aggregate rental paid by Wise Fine for leasing the Premises were approximately HK\$5.9 million, HK\$5.9 million, HK\$5.9 million, HK\$2.5 million and HK\$2.5 million, respectively.

Annual caps and basis

The aggregate annual rental (together with the aggregate service charges and other outgoings) payable by Wise Fine for each of the three years ending 31 March 2018, 2019 and 2020 will not exceed HK\$2.8 million, HK\$7.85 million and HK\$7.85 million, respectively. Such estimates are based on the fixed monthly rental (together with the monthly service charges and other outgoings) payable under the Tenancy Agreements, which were determined after arm's length negotiations with reference to (i) the prevailing market rates of similar properties in the vicinity of the Premises; and (ii) the anticipated increase in the service charges and other outgoings.

According to International Valuation Limited, an independent qualified valuer engaged by our Group, the monthly rental payable under the Tenancy Agreements for the Premises are fair and reasonable, consistent with the prevailing market unit rents for similar premises in the vicinity as at the date of the Tenancy Agreements, and on normal commercial terms.

CONNECTED TRANSACTIONS

Implications under the Listing Rules

Best Source and Ms. Janny Tin are the connected persons of our Company after Listing since:

- (i) Best Source is owned as to 33.33% by each of Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau, our executive Directors and Substantial Shareholders, hence it is an associate of each of Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau; and
- (ii) Ms. Janny Tin, being the spouse of Mr. Andrew Chan, is also our executive Director.

The transactions contemplated under the Tenancy Agreements will constitute continuing connected transactions for our Company pursuant to the Listing Rules.

Our Directors (including our independent non-executive Directors) consider that the Tenancy Agreements were entered into on an arm's length basis and in the ordinary and usual course of business, and that the transactions contemplated under the Tenancy Agreements and the annual caps are on normal commercial terms, fair and reasonable and in the interests of our Group and our Shareholders as a whole.

Given that each of the applicable percentage ratios (other than the profit ratio) for the transactions contemplated under the Tenancy Agreements in aggregate calculated by reference to Rule 14.07 of the Listing Rules is expected to be less than 5% but the aggregate rental is more than HK\$3,000,000 on an annual basis, the transactions contemplated under the Tenancy Agreements will be subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

2. Provision of logistic services to our Group

During the Track Record Period and up to the Latest Practicable Date, Bo Shing Logistic Limited ("**Bo Shing**") has been providing logistic services for delivery of products in Hong Kong from our suppliers to us and/or from us to our customers (the "**Logistic Services**"). On 12 February 2018, Bo Shing entered into a master agreement (the "**Master Agreement with Bo Shing**") with our Company, pursuant to which Bo Shing agreed to provide us with the Logistic Services for a period from the Listing Date to 31 March 2020.

Bo Shing was our principal service provider for the Logistic Services during the Track Record Period. Our Directors expect that we will continue to principally engage Bo Shing for the provision of the Logistic Services in the future.

Under the premise of compliance with the Master Agreement with Bo Shing, our Group and Bo Shing shall further execute separate individual agreements, purchase orders or delivery notes in respect of specific Logistic Services and determine the specific terms and conditions of the Logistic Services, such as the services fee to be charged by Bo Shing per delivery of products (the "**Services Fee**").

CONNECTED TRANSACTIONS

The Services Fee would be payable by our Group on a monthly basis pursuant to the Master Agreement with Bo Shing. The terms and conditions of the transactions contemplated under the Master Agreement with Bo Shing shall be on normal commercial terms, negotiated on an arm's length basis, fair and reasonable and no less favourable to our Group than those offered by other Independent Third Parties for similar services.

Previous transactions and historical transaction amounts

Set out below are the historical transaction amounts paid by our Group to Bo Shing during the Track Record Period:

	<u>HK\$'000</u>
Year ended 31 March 2015	8,336
Year ended 31 March 2016	9,411
Year ended 31 March 2017	10,343
Five months ended 31 August 2016	4,107
Five months ended 31 August 2017	4,561

Such historical transaction amounts were attributable to the expense per delivery of products to and/or from us during the Track Record Period, taking into consideration the number of vehicles and workers from Bo Shing involved in, as well as the distance and timing for, each delivery.

The increase in the historical transaction amounts during the Track Record Period was primarily due to the business expansion of our Group.

Annual caps and basis

The annual caps for the total Services Fee payable by our Group to Bo Shing for the three years ending 31 March 2018, 2019 and 2020 are set out below:

	<u>HK\$'000</u>
Year ending 31 March 2018	950
Year ending 31 March 2019	16,000
Year ending 31 March 2020	18,000

In determining the annual caps, we have made references to (i) the historical transaction amounts paid by our Group; (ii) the current market rate of similar services provided by Independent Third Parties; (iii) the anticipated scale of business operation of our Group; (iv) the anticipated frequency of delivery of products to and/or from us; and (v) the estimated quantity of products involved in each delivery to and/or from us.

Our Directors consider that the expected Logistic Services required by our Group, in particular the expected frequency of delivery and quantity of products to be involved per delivery to and/or from us for each of the three years ending 31 March 2018, 2019 and 2020 will increase in line with the volume of the inventories to be held at our

CONNECTED TRANSACTIONS

warehouses. Specifically, the expected increases in annual caps for the total Services Fee of approximately 40.4% and 12.5% for the years ending 31 March 2019 and 2020, respectively, are estimated based on the increase in the gross floor area of our warehouses, which is considered as an indicator of the volume of the inventories to be held by us during such period. During the Track Record Period, the total gross floor area of our warehouses was approximately 46,280 sq.ft., which is expected to increase by approximately 20,000 sq.ft., or approximately 43.2%, for the year ending 31 March 2019 and further increase by approximately 10,000 sq.ft., or approximately 14.9%, for the year ending 31 March 2020. Therefore, the annual caps for the total Services Fee payable by our Group for each of the three years ending 31 March 2018, 2019 and 2020 will be higher than the historical transaction amounts during the Track Record Period.

Implications under the Listing Rules

As Bo Shing is wholly-owned by the sister (as to 50%) and the brother-in-law (as to 50%) of Mr. William Chau, our executive Director and Substantial Shareholder, it is deemed to be a connected person of our Company after Listing. The transactions contemplated under the Master Agreement with Bo Shing will constitute continuing connected transactions for our Company pursuant to the Listing Rules.

Our Directors (including our independent non-executive Directors) consider that the Master Agreement with Bo Shing was entered into on an arm's length basis and in the ordinary and usual course of business, and that the transactions contemplated under the Master Agreement with Bo Shing and the annual caps are on normal commercial terms, fair and reasonable and in the interests of our Group and our Shareholders as a whole.

Given that each of the applicable percentage ratios (other than the profit ratio) for the transactions contemplated under the Master Agreement with Bo Shing calculated by reference to Rule 14.07 of the Listing Rules is expected to be less than 25% but the consideration is more than HK\$10,000,000 on an annual basis, the transactions contemplated under the Master Agreement with Bo Shing will be subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Rules 14A.35, 14A.36, 14A.46 and 14A.49 of the Listing Rules.

CONNECTED TRANSACTIONS

APPLICATION FOR WAIVERS FOR EACH OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Having reviewed the relevant documentation, underlying agreements and historical figures, and having considered the pricing basis and annual caps, our Directors (including our independent non-executive Directors) are of the view that:

- (a) each of the Non-exempt Continuing Connected Transactions has been entered into on an arm's length basis and in the ordinary and usual course of business of our Group;
- (b) the terms of each of the Non-exempt Continuing Connected Transactions for each of the three years ending 31 March 2018, 2019 and 2020 are on normal commercial terms or better, fair and reasonable, and in the interests of our Company and our Shareholders taken as a whole; and
- (c) the annual caps of each of the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of our Company and our Shareholders taken as a whole.

Based on its review of the relevant documentation and historical figures provided by our Company, the Sponsor is of the view that (i) each of the Non-exempt Continuing Connected Transactions has been entered into on an arm's length basis and in the ordinary and usual course of business of our Group, (ii) the terms of each of the Non-exempt Continuing Connected Transactions for each of the three years ending 31 March 2018, 2019 and 2020 are on normal commercial terms or better, fair and reasonable, and in the interests of our Company and our Shareholders taken as a whole; and (iii) the proposed annual caps of each of the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of our Company and our Shareholders taken as a whole.

Pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, waivers from strict compliance with (i) the announcement requirement under Rule 14A.35 of the Listing Rules for the transactions contemplated under the Tenancy Agreements; and (ii) the announcement, circular and independent Shareholders' approval requirements under Rules 14A.35, 14A.36 and 14A.46 of the Listing Rules for the transactions contemplated under the Master Agreement with Bo Shing. We shall comply with the annual review and reporting requirements for each of the Non-exempt Continuing Connected Transactions under Chapter 14A of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our periodic financial budgets and reports, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by our Articles of Association. We have entered into a service contract with each of our executive Directors. We have also entered into a letter of appointment with each of our independent non-executive Directors. The table below shows certain information with respect to our Directors:

<u>Name</u>	<u>Age</u>	<u>Position in our Company</u>	<u>Date of joining our Group</u>	<u>Date of appointment as Director</u>	<u>Roles/Responsibilities</u>	<u>Relationship with other Directors and senior management</u>
Mr. Chan Kam Chuen Andrew (陳錦泉)	56	Chairman, chief executive officer and executive Director	February 1992	21 August 2017	Responsible for sourcing brands and products, liaison with suppliers, overall management of retail business, strategic planning and business development	Brother of Mr. Chan Siu Cheung Stephen and spouse of Ms. Tin Hau Ling Janny
Mr. Chan Siu Cheung Stephen (陳紹璋) (formerly known as Chan Siu Cheung (陳小璋))	58	Executive Director	February 1990	21 August 2017	Responsible for overall management of sales and marketing and liaison with customers	Brother of Mr. Chan Kam Chuen Andrew and brother-in-law of Ms. Tin Hau Ling Janny
Mr. Chau Wing Kong William (周永江)	57	Executive Director	December 1990	21 August 2017	Responsible for overall management of finance, inventory control, logistics and operation	None
Ms. Tin Hau Ling Janny (田巧玲)	56	Executive Director	14 November 2017	14 November 2017	Responsible for strategic planning, business development and overseeing compliance matters	Spouse of Mr. Chan Kam Chuen Andrew and sister-in-law of Mr. Chan Siu Cheung Stephen
Mr. Yu Ka Ho Bernard (余家豪)	37	Independent non-executive Director	12 February 2018	12 February 2018	Supervising and providing independent judgment to the Board	None
Mr. See Hung Yan Peter (施鴻仁)	55	Independent non-executive Director	12 February 2018	12 February 2018	Supervising and providing independent judgment to the Board	None
Mr. Chung Kwok Mo John (鍾國武)	49	Independent non-executive Director	12 February 2018	12 February 2018	Supervising and providing independent judgment to the Board	None

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chan Kam Chuen Andrew (陳錦泉), aged 56, is our chairman, chief executive officer and was appointed as our executive Director on 21 August 2017. He joined our Group in February 1992 and is primarily responsible for sourcing brands and products, liaison with suppliers, overall management of retail business, strategic planning and business development of our Group. Mr. Andrew Chan is a director of Wise Fine, Saw Corporation, National Jade and Sunny Land, our operating subsidiaries.

From May 1985 to August 1988, Mr. Andrew Chan worked at Wing Han Trading Co., Ltd., a trading company in Hong Kong, with his last position being a sales and marketing manager. He was responsible for the sales and marketing of balloons. From August 1988 to November 1989, Mr. Andrew Chan served as a sales manager of Nasta (Hong Kong) Ltd., a toy manufacturer, where he was responsible for the sales and marketing of toy products. From November 1989 to February 1992, Mr. Andrew Chan served as a merchandise manager in Woolworth Overseas Corp., a merchandising company, where he was primarily responsible for merchandising of toys and was in charge of the toys division. In 1992, he joined our Group as a business partner.

Mr. Andrew Chan received his bachelor's degree in arts from The University of Hong Kong in November 1985.

Mr. Chan Siu Cheung Stephen (陳紹璋) (formerly known as Mr. Chan Siu Cheung (陳小璋)), aged 58, was appointed as our executive Director on 21 August 2017. He joined our Group in February 1990 and is primarily responsible for overall management of sales and marketing and liaison with customers of our Group. Mr. Stephen Chan is a director of Wise Fine, Saw Corporation and Sunny Land, our operating subsidiaries.

Mr. Stephen Chan completed Form Six of secondary education in Hong Kong in 1978. In 1980s, he accumulated work experience in the field of sales and marketing at two trading companies in Hong Kong. In February 1990, he founded the business of our Group as a sole proprietor, with Mr. William Chau joining him as a partner in December 1990 and his brother Mr. Andrew Chan joining him as a partner in 1992.

Mr. Stephen Chan was a director of KBS (HK) Limited, which was incorporated in Hong Kong on 13 January 2009 and was dissolved by deregistration on 3 September 2010 due to cessation of business. Mr. Stephen Chan has confirmed that the above dissolved company was solvent at the relevant time. He further confirms that there is no fraudulent act or misfeasance on his part leading to the dissolution of such company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of such company.

Mr. Chau Wing Kong William (周永江), aged 57, was appointed as our executive Director on 21 August 2017. He is primarily responsible for overall management of finance, inventory control, logistics and operation of our Group. Mr. William Chau is a director of Wise Fine, Saw Corporation and Sunny Land, our operating subsidiaries.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chau completed his Hong Kong Certificate of Education Examination (HKCEE) in 1979. Subsequently, he accumulated work experience in the field of sales and marketing as well as inventory control at three companies in Hong Kong. From 1985 to 1989, he ran a silk screen printing business. In December 1990, he joined our Group as a business partner.

Ms. Tin Hau Ling Janny (田巧玲), aged 56, was appointed as our executive Director on 14 November 2017. She joined our Group on 14 November 2017 and is primarily responsible for strategic planning, business development and overseeing compliance matters of our Group. From April 1994 to March 1997, Ms. Janny Tin worked at Ho & Chan Solicitors, where she was primarily responsible for conveyancing and litigation works. From July 1997 to May 2001, Ms. Janny Tin was a partner at Au-Yeung, Cheng, Ho & Tin Solicitors and she was responsible for litigation works and administration. Ms. Janny Tin worked as a partner at Lo, Wong & Tsui Solicitors from May 2001 to April 2004, and she continued as a consultant since April 2004, where she is responsible for general practice.

Ms. Janny Tin received her bachelor's degree in laws from the University of London in the United Kingdom in August 1990. Ms. Janny Tin was admitted as a solicitor in the United Kingdom and Hong Kong in October 1993 and January 1994, respectively.

Independent Non-Executive Directors

Mr. Yu Ka Ho Bernard (余家豪) (“Mr. Yu”), aged 37, was appointed as our independent non-executive Director on 12 February 2018. From August 2004 to July 2005, Mr. Yu worked at ProJOB21.com and was seconded to Reuters Hong Kong Limited as a data analyst in the data operations department, where he was responsible for conducting research and updating fixed income data. From December 2007 to November 2008, Mr. Yu served as a research assistant at The Pacific Group Limited, an asset management firm, where he was responsible for stock trading and analysis. From May 2010 to January 2012, Mr. Yu served as a Type 9 (asset management) regulated activity licenced representative under the SFO in Aquitaine Investment Advisors Ltd, a company engaged in asset management, where Mr. Yu was engaged in fund risk management and fund support duties. Mr. Yu held various positions in Haitong International Securities Group from January 2012 to July 2016 with his last position as a director of the fixed income, currency and commodities trading department from January 2016 to July 2016. Since July 2016, Mr. Yu has been serving as an executive director and the head of fixed income trading, sales & trading division in ICBC International Holdings Limited, where he is responsible for overseeing bonds trading and market making business.

Mr. Yu received his bachelor's degree in science and his master's degree in business administration from the University of Toronto in November 2003 and June 2007, respectively. Mr. Yu obtained the CFA charterholder qualification from the CFA Institute in September 2012.

Mr. See Hung Yan Peter (施鴻仁) (“Mr. See”), aged 55, was appointed as our independent non-executive Director on 12 February 2018. From July 1986 to September 2015, Mr. See served various positions at Federal Express (Hong Kong) Limited with his last position as the managing director of the customer service planning & engineering department, where he was primarily responsible for overall management of the planning and engineering business.

DIRECTORS AND SENIOR MANAGEMENT

Mr. See received his high diploma in civil engineering (municipal) and associateship in civil and structural engineering from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1985 and November 1986, respectively. Mr. See then obtained his master's degree in science in management (business) from The Hong Kong Polytechnic University in October 1995.

Mr. Chung Kwok Mo John (鍾國武) (“Mr. Chung”), aged 49, was appointed as our independent non-executive Director on 12 February 2018. Mr. Chung obtained a bachelor of economics degree from Macquarie University, Australia in April 1992 and was admitted as a certified practising accountant of the Australian Society of Certified Practising Accountants (now known as CPA Australia) and an associate of the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) in November 1995 and February 1996, respectively, with over 25 years of experience in auditing, financial management and overall finance function. Mr. Chung was an auditor in an international accounting firm from 1992 to 1999. From 2000, Mr. Chung held several senior management positions, including chief financial officer, executive director and independent non-executive director, in a number of listed companies in Hong Kong. Mr. Chung acted/is acting as an executive director and/or independent non-executive director of the following companies listed/delisted on the Stock Exchange:

Date	Name of listed/delisted company	Stock code	Present principal business activities	Present responsibilities
September 2004 to May 2006	AMVIG Holdings Ltd. (formerly known as “Vision Grande Group Holdings Ltd”)	2300	Printing of cigarette packages and manufacturing of transfer papers and laser film	Independent non-executive director and member of audit committee
April 2004 to May 2007	Zhejiang Glass Co., Ltd	739 (delisted on the Stock Exchange in May 2013)	Manufacturing of raw materials and production and sale of soda ash and flat glass (prior to delisting)	Executive director and chief financial officer (prior to delisting)
March 2011 to Present	Zhengye International Holdings Co., Ltd.	3363	Manufacturing and sale of paper, paperboard and paper-based packaging products	Independent non-executive director, chairman of audit committee, remuneration committee and risk management committee, and member of nomination committee

DIRECTORS AND SENIOR MANAGEMENT

Date	Name of listed/delisted company	Stock code	Present principal business activities	Present responsibilities
June 2013 to Present	BYD Electronic (International) Co., Ltd.	285	Manufacture of handset components and modules; provision of design and assembly services for handsets	Independent non-executive director, chairman of audit committee, member of remuneration and nomination committee
December 2017 to Present	On Time Logistics Holdings Limited	6123	Provision of air and ocean freight forwarding complemented by ancillary and contract logistics services	Independent non-executive director, chairman of audit committee, and member of each of the remuneration committee and corporate governance committee

Mr. Chung was a director of Lucky Elite International Limited, which was incorporated in Hong Kong on 30 December 2010 and was dissolved by deregistration on 27 November 2015 and Crystallos Gifts & Crafts Limited which was incorporated in October 2003 and was dissolved by deregistration on 28 September 2012 due to cessation of business. Mr. Chung has confirmed that each of the above dissolved companies was solvent at the relevant time. He further confirms that there is no fraudulent act or misfeasance on his part leading to the dissolution of each of such companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of each of such companies.

Save as disclosed above, our Directors have not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years, and there is no other information in respect of our Directors that is discloseable pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders.

Please see “Statutory and General Information — Further information about directors, management and staff and expert — 11. Directors — (a) Disclosure of Interest and (b) Particular of service contracts and letter of appointment” in Appendix IV to this prospectus for information regarding our Directors’ respective interest in the Shares within the meaning of Part XV of the SFO and the particulars of the Directors’ service contracts and information. Save as disclosed above, none of the Directors has any interest in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Roles/Responsibilities</u>
Mr. Tang Kwok Hay (鄧國禧)	32	Chief financial officer	19 June 2017	Responsible for financial control and reporting

Mr. Tang Kwok Hay (鄧國禧) (“**Mr. Tang**”), aged 32, joined and was appointed the chief financial officer of our Group. He is primarily responsible for financial control and reporting of the Group. Prior to joining our Group, Mr. Tang held various positions in PricewaterhouseCoopers from September 2007 to June 2013, with his last position as manager since October 2012, where he was primarily responsible for carrying out audit and assurance assignments and provision of advisory services. From June 2013 to June 2017, Mr. Tang served as the financial controller in WPP Marketing Communications (HK) Limited, where he worked for Group M Hong Kong and was primarily responsible for overseeing financial operations and providing commercial support to management.

Mr. Tang received his bachelor degree in business administration from The Chinese University of Hong Kong in December 2007. He obtained the qualification of financial risk manager (FRM) from the Global Association of Risk Professionals and certified public accountant (CPA) from the Hong Kong Institute of Certified Public Accountants in September 2009 and January 2011, respectively.

Save as disclosed above, our senior management member has not been a director of any public company, the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Tang is the company secretary of our Company.

BOARD COMMITTEES

Audit Committee

We have established an audit committee on 12 February 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee consists of three members, all of whom are independent non-executive Directors, being Mr. Chung Kwok Mo John (being the chairman of the audit committee who has a professional qualification in accountancy) Mr. Yu Ka Ho Bernard and Mr. See Hung Yan Peter. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting system, risk management and internal control systems, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

We have established a remuneration committee on 12 February 2018 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of three members, all of whom are independent non-executive Directors, being Mr. Yu Ka Ho Bernard, Mr. Chung Kwok Mo John and Mr. See Hung Yan Peter.

The remuneration committee is chaired by Mr. Yu Ka Ho Bernard. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; and (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

Nomination Committee

We have established a nomination committee on 12 February 2018 with written terms of reference in compliance with paragraph A5 of the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The nomination committee consists of three members, namely Mr. See Hung Yan Peter, Mr. Yu Ka Ho Bernard and Mr. Chung Kwok Mo John. All of the members are our independent non-executive Directors. The chairman of the nomination committee is Mr. See Hung Yan Peter. The primary function of the nomination committee is to make recommendations to our Board on the appointment or re-appointment Directors and succession planning for Directors, in particular the chairman and the chief executive.

CORPORATE GOVERNANCE

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

Our Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules. Except for the deviation from CG Code provision A.2.1, our Company's corporate governance practices have complied with the code on Corporate Governance Practices. CG Code provision A.2.1 stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Andrew Chan is the chairman of the Board and the chief executive officer of our Company. In view of Mr. Andrew Chan being one of the

DIRECTORS AND SENIOR MANAGEMENT

founders of our Group and that he has been operating and managing the Group and the operating subsidiaries of our Company, our Board believes that it is in the best interest of our Group to have Mr. Andrew Chan taking up both roles for effective management and business development. Therefore, our Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

Our Company is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary, benefits in kind and discretionary bonuses related to the performance of our Company.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid to our Directors for the three years ended 31 March 2015, 2016 and 2017 and five months ended 31 August 2017 was approximately HK\$1.6 million, HK\$1.7 million, HK\$1.8 million and HK\$0.7 million, respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid by our Group to the five highest paid individuals for the three years ended 31 March 2015, 2016, 2017 and five months ended 31 August 2017, was approximately HK\$2.1 million, HK\$2.2 million, HK\$2.3 million and HK\$0.7 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the three years ended 31 March 2015, 2016, 2017 and five months ended 31 August 2017. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for the year ending 31 March 2018 is estimated to be approximately HK\$1.8 million.

COMPLIANCE ADVISER

We have appointed Lego Corporate Finance Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (c) where we propose to use the net proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in our Shares, or any other matters.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date.

SHARE CAPITAL

SHARE CAPITAL

The authorised and issued share capital of our Company are as follows:

	<u>(HK\$)</u>
Authorised share capital	
<u>10,000,000,000</u> Shares	<u>100,000,000</u>

Without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the share capital immediately following the Capitalisation Issue and the Share Offer will be as follows:

Issued share capital

1,500 Shares in issue as at the Latest Practicable Date	15
Shares to be issued	
299,998,500 Shares to be issued pursuant to the Capitalisation Issue	2,999,985
<u>100,000,000</u> Shares to be issued pursuant to the Share Offer	<u>1,000,000</u>
Total issued Shares on completion of the Share Offer	
<u>400,000,000</u> Shares	<u>4,000,000</u>

Assumptions

The above table assumes the Capitalisation Issue and the Share Offer have become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate granted to our Directors to allot and issue or repurchase Shares as referred to in “— General mandate to issue Shares” or “— General mandate to repurchase Shares”, as the case may be.

Public Float

Pursuant to Rules 8.08(1)(a) and (b) of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The Offer Shares represent 25% of the issued share capital of our Company upon Listing.

SHARE CAPITAL

Ranking

The Offer Shares will rank *pari passu* in all respects with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, except for the entitlements under the Capitalisation Issue.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 12 February 2018. For the principal terms of the Share Option Scheme, please see “Statutory and General Information — Other information — 15. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been conditionally granted a general unconditional mandate authorising them to exercise all the powers of our Company to allot, issue and deal with the Shares with a total number of not more than 20% of the number of our issued Shares immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued under the Share Option Scheme), and the number of Shares repurchased by us, if any, pursuant to the repurchase mandate described below.

The general mandate will expire:

- (a) at the conclusion of our Company’s next annual general meeting;
- (b) at the expiration of the period within which our Company is required by any applicable law of the Cayman Islands or the Articles to hold the next annual general meeting; or
- (c) when varied, revoked or renewed by passing an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

Further information of this general mandate is summarised in “Statutory and General Information — Further information about our Company and our subsidiaries — 3. Resolutions in writing of the Shareholders passed on 12 February 2018” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been conditionally granted a general unconditional mandate to exercise all the powers of our Company to repurchase the Shares with a total number of not more than 10% of the total number of our issued Shares immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of options that may be granted under the Share Option Scheme).

This repurchase mandate only relates to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws, rules and regulations. A summary of the relevant requirements of the Listing Rules on this repurchase

SHARE CAPITAL

mandate is in “Statutory and General Information — Further information about our Company and our subsidiaries — 7. Repurchase by our Company of our own securities” in Appendix IV to this prospectus.

This repurchase mandate will expire:

- (a) at the conclusion of our Company’s next annual general meeting;
- (b) at the expiration of the period within which our Company is required by any applicable law of the Cayman Islands or the Articles to hold the next annual general meeting; or
- (c) when varied, revoked or renewed by passing an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

Further information of this general mandate is summarised in “Statutory and General Information — Further information about our Company and our subsidiaries — 3. Resolutions in writing of the Shareholders passed on 12 February 2018” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. For details, please see “Summary of the Constitution of the Company and Cayman Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Shares or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please see the paragraph headed “Summary of the Constitution of the Company and Cayman Company Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued under the Share Option Scheme), the following persons will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group:

Persons having aggregate long positions in the Shares

Name	Nature of interest	Number of Shares immediately following completion of the Capitalisation Issue and the Share Offer ^(Note 1)	Percentage of shareholding in our Company immediately following completion of the Capitalisation Issue and the Share Offer
ACAC Investment	Beneficial owner ^(Note 2)	100,000,000 (L)	25%
Mr. Andrew Chan	Interest in a controlled corporation ^(Note 3)	100,000,000 (L)	25%
Ms. Janny Tin	Interest of spouse ^(Note 4)	100,000,000 (L)	25%
SCSC Holdings	Beneficial owner ^(Note 5)	100,000,000 (L)	25%
Mr. Stephen Chan	Interest in a controlled corporation ^(Note 6)	100,000,000 (L)	25%
Ms. Cheung Choi Ngo	Interest of spouse ^(Note 7)	100,000,000 (L)	25%
CCST Investment	Beneficial owner ^(Note 8)	100,000,000 (L)	25%
Mr. William Chau	Interest in a controlled corporation ^(Note 9)	100,000,000 (L)	25%
Ms. Tan Ching Bee	Interest of spouse ^(Note 10)	100,000,000 (L)	25%

Notes:

1. The letter “L” denotes the Shareholder’s long position in the Shares.
2. The entire issued share capital of ACAC Investment is wholly-owned by Mr. Andrew Chan.
3. Mr. Andrew Chan is deemed to be interested in the Shares held by ACAC Investment under the SFO.
4. Ms. Janny Tin is the spouse of Mr. Andrew Chan. By virtue of the SFO, Ms. Janny Tin is deemed to be interested in the same number of Shares in which Mr. Andrew Chan is deemed to be interested under the SFO.
5. The entire issued share capital of SCSC Holdings is wholly-owned by Mr. Stephen Chan.
6. Mr. Stephen Chan is deemed to be interested in the Shares held by SCSC Holdings under the SFO.
7. Ms. Cheung Choi Ngo is the spouse of Mr. Stephen Chan. By virtue of the SFO, Ms. Cheung Choi Ngo is deemed to be interested in the same number of Shares in which Mr. Stephen Chan is deemed to be interested under the SFO.
8. The entire issued share capital of CCST Investment is wholly-owned by Mr. William Chau.
9. Mr. William Chau is deemed to be interested in the Shares held by CCST Investment under the SFO.

SUBSTANTIAL SHAREHOLDERS

10. Ms. Tan Ching Bee is the spouse of Mr. William Chau. By virtue of the SFO, Ms. Tan Ching Bee is deemed to be interested in the same number of Shares in which Mr. William Chau is deemed to be interested under the SFO.

Person(s) interested in 10% or more of the issued voting shares of other member(s) of our Group (except our Company)

<u>Name</u>	<u>Name of other member of our Group (except the Company)</u>	<u>Nature of interest</u> <small>(Note 11)</small>	<u>Number of shares held</u> <small>(Note 12)</small>	<u>Percentage of shareholding</u>
Mr. Paul Fung	National Jade	Beneficial owner	4,900 (L)	49%

Notes:

11. The remaining 5,100 shares, representing 51% of the issued share capital, in National Jade are indirectly held by our Company.
12. The letter “L” denotes the shareholder’s long position in National Jade.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued under the Share Option Scheme) have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited combined financial information, including the notes thereto, as set out in the Accountant's Report set out in Appendix I to this prospectus (the "Combined Financial Information"). Our Combined Financial Information has been prepared in accordance with the HKFRSs. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. Please see "Risk Factors" for details.

Discrepancies between totals and sums of amounts listed herein in any table or elsewhere in this prospectus may be due to rounding.

OVERVIEW

We are a food and beverage company engaging in the Distribution Business and the Retail Business, with over 27 years of operating history in Hong Kong. For our Distribution Business, we distribute and market a diversified portfolio of overseas branded food and beverage products through our supply chain solutions to overseas brand owners and local retailers. Our top products include "UHA (味覺糖)" UHA 味覺糖 candies sourced directly from the brand owner in Japan and distributed to retailers in Hong Kong. For our Retail Business, we are licenced to set up and self-operate retail outlets of a few overseas food and beverage brands in Hong Kong, including our top retail brand "TenRen (天仁茗茶)" 天仁茗茶 with 32 retail outlets set up and operated by us as at the Latest Practicable Date.

For the three years ended 31 March 2015, 2016 and 2017, our Group recorded revenue of approximately HK\$282.6 million, HK\$299.8 million and HK\$368.0 million, respectively, and profit attributable to the owners of our Company of approximately HK\$13.7 million, HK\$19.8 million and HK\$27.4 million, respectively.

For the five months ended 31 August 2016 and 2017, our Group recorded revenue of approximately HK\$141.2 million and HK\$169.7 million, respectively, and profit attributable to the owners of our Company of approximately HK\$7.4 million and HK\$6.2 million, respectively. Excluding the non-recurring Listing expenses of approximately HK\$6.2 million charged for the five months ended 31 August 2017, our profit attributable to the owners of our Company would be approximately HK\$12.4 million for such period.

FINANCIAL INFORMATION

BASIS OF PRESENTATION AND PREPARATION

Pursuant to the Reorganisation, our Company became the holding company of the subsidiaries now comprising our Group on 7 November 2017. The relevant steps of the Reorganisation are detailed in “History, Reorganisation and Corporate Structure”. Because the Reorganisation is merely a reorganisation of our business with no change in management and ultimate ownership, our Combined Financial Information has been prepared and presented as a continuation of the combined financial statements of the companies now comprising our Group in which assets and liabilities are recognised and measured at carrying amounts of our business. Our Combined Financial Information also included the transactions and balances of Best Source attributable to the Distribution Business of our Group.

Our Combined Financial Information has been prepared in accordance with the HKFRSs. Our Combined Financial Information is presented in Hong Kong dollar, which is our functional and presentation currency.

Details regarding the basis of presentation and preparation of our Combined Financial Information are set out in notes 1.3 and 2.1 to the Accountant’s Report.

Intercompany transactions, balances, unrealised profits or losses on transactions between group companies are eliminated on combination.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in “Risk Factors” and those set out below:

Supply and costs of products and raw materials

Our profitability and operating results are dependent upon, among other things, our ability to anticipate and react to any interruptions in the supply of products and raw materials and any fluctuations in the costs of our inventories and raw materials. During the three years ended 31 March 2015, 2016 and 2017 and five months ended 31 August 2016 and 2017, we recorded cost of inventories sold of approximately HK\$186.3 million, HK\$170.6 million, HK\$200.4 million, HK\$77.8 million and HK\$84.7 million, representing approximately 65.9%, 56.9%, 54.4%, 55.1% and 49.9% of our total revenue during such year/period, respectively. We generally do not enter into long-term contracts with our suppliers hence the suppliers would not be committed to providing products to us within an agreed period of time or at certain pre-agreed prices. We have developed a close and stable relationship with our key suppliers and have adequate number of suppliers for our major type of products and raw materials, which allow us to maintain a stable and flexible supply of products and raw materials. However, we are still exposed to a risk that suppliers may not provide or may be unable to provide products and raw materials we need in the quantities and at the times and prices we request. Failure to identify an alternate source of supply for these items or comparable products and raw materials that meet our or our customers’ expectations may result in significant cost increases. In some extreme cases, we will be out of inventory or raw materials and unable to generate sales.

FINANCIAL INFORMATION

Demand from our customers and product mix

Our revenue from the Distribution Business depends on the product type and volume and/or value of orders placed by our customers of the Distribution Business as and when they require, while we generally would not enter into long-term sales agreement with our customers as an industry practice. The product type and volume of orders of our customers, which were retailers and trading companies, in turn depend on the demand from end consumers and will be affected by the general retail market and economic environment.

Our revenue from Distribution Business will be adversely affected, if our customers reduced their order amount from us, or if we could not timely deliver the products to our customers. In addition, our revenue may also be affected if we were unable to compete successfully against other sales and marketing campaigns of our competitors which may lead to a shift of our customers' choice from our Group to our competitors.

Employee benefit expenses

Our business operation is service-oriented and our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees. We believe high-quality customer service is a key attribute of our success.




We had a total of 432 full time and part time employees as at 31 August 2017. Our employee benefit expenses include all salaries and benefits payable to all our employees and staff, including our Directors, which amounted to approximately HK\$24.3 million, HK\$34.2 million, HK\$46.8 million, HK\$17.4 million and HK\$24.7 million, representing approximately 8.6%, 11.4%, 12.7%, 12.3% and 14.5% of our total revenue for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, respectively.

According to the Industry Report, due to the increasing challenge in acquiring skilled labour in the catering industry and the general increase in labour costs in Hong Kong, the salary level of employees in catering industry in Hong Kong has generally increased in the recent years and was estimated to keep increasing in the coming years. We expect our employee benefit expenses will continue to increase as inflationary pressures in Hong Kong continue to drive up salary levels and the further expansion of our retail network.

Rental expenses relating to our retail outlets

We lease all the properties on which our retail outlets operate. Rental expenses relating to our retail outlets constitute one of the major components of our cost of sales of our Retail Business and amounted to approximately HK\$7.8 million, HK\$16.2 million, HK\$25.8 million, HK\$9.7 million and HK\$15.0 million for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, respectively, which represented approximately 19.2%, 20.5%, 20.6%, 20.1% and 20.4% of the revenue of our Retail Business for the respective years/periods.

FINANCIAL INFORMATION

As we expand our retail network, we will secure more locations by entering into new lease agreements. For every lease of our retail outlets that our Group considers to enter into, we will consider whether the rental expense is within the range acceptable by us, taking into account the expected revenue to be derived by the retail outlets. According to the Industry Report, Hong Kong average rental price of private retail premises in Hong Kong was estimated to have an increasing trend from 2016 to 2021. In addition, we intended to open around 16 more “TenRen (天仁茗茶)”  retail outlets, 10 more “Jiu Tang Wu (九湯屋)”  retail outlets and two more “Uncle Tetsu (徹思叔叔)”  retail outlets for the two years ending 31 March 2020. Accordingly, we expected that our rental and related expenses with respect to our Retail Business to increase in the future.

Fluctuation of foreign exchange rates

During the Track Record Period, we purchased most of the goods from overseas suppliers and the settlement currency with such suppliers was usually denominated in foreign currencies, which mainly include JPY, TWD and USD, while we sold such products to our customers in Hong Kong and the settlement currency was denominated in HK\$. The following table sets forth the breakdown of purchase amount of our Group by currency during the Track Record Period:

	Year ended 31 March						Five months ended	
	2015		2016		2017		31 August 2017	
	Purchase amount HK\$'000	% of total purchase %	Purchase amount HK\$'000	% of total purchase %	Purchase amount HK\$'000	% of total purchase %	Purchase amount HK\$'000	% of total purchase %
JPY	60,111	32.6%	59,517	35.0%	82,662	41.0%	34,420	38.7%
TWD	49,154	26.6%	41,189	24.2%	47,645	23.6%	27,215	30.6%
USD	38,247	20.7%	36,154	21.2%	38,285	19.0%	16,191	18.2%
HK\$	25,399	13.8%	24,240	14.2%	26,728	13.3%	9,863	11.1%
Others (Note)	11,673	6.3%	9,084	5.4%	6,390	3.1%	1,207	1.4%
Total	184,584	100.0%	170,184	100.0%	201,710	100.0%	88,896	100.0%

Note: Others mainly include Renminbi and Euro.

During the Track Record Period, the exchange rate of TWD against HK\$ was relatively stable with an average daily exchange rate of HK\$1.0 equals to approximately TWD3.95, TWD4.14, TWD4.09 and TWD3.88 for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. Meanwhile, the exchange rate of JPY against HK\$ was relatively fluctuating with an average daily exchange rate of HK\$1.0 equals to approximately JPY14.2, JPY15.5, JPY14.0 and JPY14.2 for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. Therefore, our gross profit margin of products which we purchased from suppliers in Japan and settled by JPY may be affected by fluctuation of the exchange rate since such products were priced in HKD and the unit selling price may not be adjusted to fully reflect the movements of exchange rate. In addition, the difference in the exchange rates at which the trade payables are recorded and finally settled may give rise to foreign currency exchange

FINANCIAL INFORMATION

gain or loss. Moreover, certain of our bank borrowings which were utilised to settle the trade payables were denominated in JPY and were therefore subject to exchange difference at the drawdown date and the period-end date and/or settlement date. Accordingly, we were exposed to foreign currency risk mainly arising from transactions and liabilities denominated in JPY.

For illustration purpose, assuming the proportion of our cost of inventories sold which were settled by foreign currencies was the same as that for our total purchase, our Group's net profit before tax for the three years ended 31 March 2015, 2016 and 2017 and five months ended 31 August 2017 would decrease by approximately HK\$5.9 million, HK\$5.8 million, HK\$8.0 million and HK\$3.2 million, respectively, if the exchange rate of JPY against HK\$ appraised by 9.7% and our Group's net profit before tax for the three years ended 31 March 2015, 2016 and 2017 and five months ended 31 August 2017 would decrease by approximately HK\$2.6 million, HK\$2.1 million, HK\$2.4 million and HK\$1.3 million, respectively, if the exchange rate of TWD against HK\$ appraised by 5.1% (being the fluctuation of the average daily exchange rate for each year/ period during the Track Record Period), holding all other variables constant.

Considering the foreign exchange rates are difficult to predict, we would closely monitor the foreign exchange rates and our relevant exposure. In addition, we would take measures to minimise the impact from the foreign exchange risk, including review of our Group's foreign exchange exposure on a regular basis and adjust the selling price of the relevant products when necessary. We did not have any hedging policy for our foreign exchange exposure.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates refer to those accounting policies and estimates that entail significant uncertainty and judgment, and could yield materially different results under different conditions and/or assumptions. The preparation of our Combined Financial Information in conformity with the HKFRSs requires our management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The methods and approach that we use in determining these items is based on our experience, the nature of our business operations, the relevant rules and regulations and the relevant circumstances. These underlying assumptions and estimates are reviewed regularly as they may have a significant impact on our operational results as reported in our Combined Financial Information included elsewhere in this prospectus. Below is a summary of the significant accounting policies in accordance with HKFRSs that we believe are important to the preparation of our Combined Financial Information and involve the need to make estimates and judgments about the effect of matters that are inherently uncertain. We also have other accounting policies, judgments, estimates and assumptions that we consider as significant, which are set out in detail in notes 2 and 4 to the Accountant's Report.

FINANCIAL INFORMATION

Revenue recognition

During the Track Record Period, we recognised revenue from our Distribution Business and Retail Business.

We recognise revenue for our Distribution Business when we have delivered products to our customer, our customer has accepted the products, there is no unfulfilled obligations that could affect our customer's acceptance of the products and the amount of sales can be reliably measured and it is probable that future economic benefits will flow to us.

We recognise revenue for our Retail Business at the point of sale to our customers.

For further details regarding our accounting policy relating to revenue recognition, please see note 2.18 to the Accountant's Report.

Financial assets

As at 31 March 2015, 2016 and 2017 and 31 August 2017, financial assets of our Group mainly represented (i) financial assets at fair value through profit or loss; and (ii) loans and receivables comprise trade receivables, deposits and other receivables, amounts due from related parties, restricted cash and cash and cash equivalents.

For further details regarding our accounting policy relating to financial assets, please see note 2.7 to the Accountant's Report.

Inventories

As at 31 March 2015, 2016 and 2017 and 31 August 2017, we had inventories of approximately HK\$17.9 million, HK\$17.5 million, HK\$18.7 million and HK\$22.9 million, respectively, representing our raw materials and finished goods.

For further details regarding our accounting policy relating to inventories, please see note 2.8 to the Accountant's Report.

Leasing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Our Group as lessee

We recognise operating lease payments as an expense on a straight-line basis over the period of the leases. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

During the Track Record Period, we had operating lease commitments in respect of our head office, retail outlets and warehouse premises.

FINANCIAL INFORMATION

For further details regarding our accounting policy relating to operating leases, please see note 2.20 to the Accountant's Report.

SUMMARY RESULTS OF OPERATIONS

The following table sets out the summary of our Group's combined results for the Track Record Period, which are derived from, and should be read in conjunction with the combined financial information contained in the Accountant's Report set out in Appendix I to this prospectus.

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Revenue	282,558	299,770	367,978	141,214	169,719
Cost of sales	<u>(216,666)</u>	<u>(221,978)</u>	<u>(276,800)</u>	<u>(106,623)</u>	<u>(127,220)</u>
Gross profit	65,892	77,792	91,178	34,591	42,499
Other gains/(losses), net	2,621	(623)	(1,117)	(2,009)	(1,489)
Other income	374	287	301	129	134
Selling and distribution expenses	(27,028)	(28,603)	(31,799)	(14,058)	(15,688)
Administrative expenses	<u>(21,125)</u>	<u>(22,544)</u>	<u>(23,386)</u>	<u>(8,864)</u>	<u>(15,657)</u>
Operating profit	20,734	26,309	35,177	9,789	9,799
Finance costs	<u>(1,400)</u>	<u>(1,013)</u>	<u>(1,388)</u>	<u>(507)</u>	<u>(560)</u>
Profit before income tax	19,334	25,296	33,789	9,282	9,239
Income tax expense	<u>(3,084)</u>	<u>(4,145)</u>	<u>(5,529)</u>	<u>(1,610)</u>	<u>(2,629)</u>
Profit and total comprehensive income for the year/period	<u><u>16,250</u></u>	<u><u>21,151</u></u>	<u><u>28,260</u></u>	<u><u>7,672</u></u>	<u><u>6,610</u></u>

FINANCIAL INFORMATION


DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our total revenue were contributed by our Distribution Business and Retail Business. For the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, we recorded revenue of approximately HK\$282.6 million, HK\$299.8 million, HK\$368.0 million, HK\$141.2 million and HK\$169.7 million, respectively, all of which were generated in Hong Kong.

The following table sets forth the breakdown of our revenue by business segment for the periods indicated:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue
							(Unaudited)			
Distribution Business	241,941	85.6%	220,606	73.6%	243,075	66.1%	92,753	65.7%	96,287	56.7%
Retail Business	40,617	14.4%	79,164	26.4%	124,903	33.9%	48,461	34.3%	73,432	43.3%
	<u>282,558</u>	<u>100.0%</u>	<u>299,770</u>	<u>100.0%</u>	<u>367,978</u>	<u>100.0%</u>	<u>141,214</u>	<u>100.0%</u>	<u>169,719</u>	<u>100.0%</u>

Our total revenue recorded an increasing trend during the Track Record Period, which was mainly attributed to the increase in our Retail Business as a result of our expansion of the number of “TenRen (天仁茗茶)”  天仁茗茶 retail outlets from 10 retail outlets as at 31 March 2015 to 29 retail outlets as at 31 August 2017.

Revenue from Distribution Business

During the Track Record Period, the majority of our revenue were attributable to our Distribution Business, which represents the distribution and sales of overseas branded food and beverage products to mainly retailers, such as supermarkets, pharmacies, convenience stores and department stores in Hong Kong. To a lesser extent, we also distribute products to trading companies.

Our revenue generated from our Distribution Business decreased by approximately HK\$21.3 million, or 8.8%, from approximately HK\$241.9 million for the year ended 31 March 2015 to approximately HK\$220.6 million for the year ended 31 March 2016. Such decrease was primarily due to the decrease in our sales amount generated from one of our five largest customers during the Track Record Period, namely New Odaiba, from approximately HK\$35.3 million for the year ended 31 March 2015 to approximately HK\$19.2 million for the year ended 31 March 2016, as a result of its scaling down of business from eight retail outlets as at 31 March 2015 to five retail outlets as at 31 March 2016. New Odaiba is a connected person of our Company. For details of the transactions between our Group and New Odaiba, please see “Connected Transactions — Exempt continuing connected transactions — 2. Sales of products by our Group”. In addition, the decrease in our revenue from Distribution Business for the year ended 31 March 2016 as compared to the previous year were also affected by the contraction in the retail sales of food and beverage

FINANCIAL INFORMATION

products market in Hong Kong since the year of 2015. According to the Industry Report, the growth rate of sales value of food and beverage distribution market in Hong Kong has decreased from approximately 4.3% in 2014 to approximately 0.7% in 2015 mainly due to the overall slump in retail sales in Hong Kong during the period; and the growth rate of retail sales of food and beverage products market in Hong Kong has decreased from approximately 5.7% in 2014 to approximately 3.2% in 2015, which was mainly due to the decrease in the number of tourists from the PRC as a result of the change of policy regarding individual visit endorsements for permanent residents of Shenzhen from “multiple-entry” permit to “one trip per week” permit taken place in April 2015.

Our revenue generated from our Distribution Business increased by approximately HK\$22.5 million, or 10.2%, from approximately HK\$220.6 million for the year ended 31 March 2016 to approximately HK\$243.1 million for the year ended 31 March 2017. Such increase was mainly because we have launched a new product line of “UHA (味覺糖)” UHA[®]味覺糖 and a new type of food product in late 2015 and began to commence massive sales to our customers during the year ended 31 March 2017 which contributed a significant amount of revenue during the year ended 31 March 2017.

Our revenue generated from our Distribution Business increased by approximately HK\$3.5 million, or 3.8%, from approximately HK\$92.8 million for the five months ended 31 August 2016 to approximately HK\$96.3 million for the five months ended 31 August 2017. Such increase was mainly due to the continuing effect of the increasing sales of the new product line of “UHA (味覺糖)” UHA[®]味覺糖 and the new type of food product launched in late 2015 as discussed above.

The table below sets forth the breakdown of our revenue by type of customers under the Distribution Business during the Track Record Period:

Customer type	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue
							(Unaudited)			
Supermarket chains	67,605	27.9%	63,074	28.6%	75,255	31.0%	25,672	27.7%	30,019	31.2%
Convenience store chains	25,549	10.6%	23,446	10.6%	29,833	12.3%	12,817	13.8%	13,116	13.6%
Pharmacy chains	20,677	8.5%	20,076	9.1%	20,679	8.5%	6,555	7.1%	6,858	7.1%
Department stores	32,516	13.4%	28,654	13.0%	26,369	10.8%	10,948	11.8%	12,692	13.2%
Trading companies	55,761	23.0%	40,520	18.4%	44,796	18.4%	18,506	20.0%	13,926	14.5%
Others ^(Note)	39,833	16.6%	44,836	20.3%	46,143	19.0%	18,255	19.6%	19,676	20.4%
Total	241,941	100.0%	220,606	100.0%	243,075	100.0%	92,753	100.0%	96,287	100.0%

Note: Others include individual and chain retail outlets.




Our revenue contribution from different type of customers under the Distribution Business were relatively stable during the Track Record Period. Customers who operate supermarket chains contributed the largest portion of the revenue for our Distribution Business during the Track Record Period.

FINANCIAL INFORMATION

Revenue from Retail Business


During the Track Record Period, our revenue generated from the Retail Business represents the preparation and/or sales of overseas food and beverage products at our self-operated retail outlets in Hong Kong.

The table below sets forth the breakdown of our revenue by brands under the Retail Business during the Track Record Period:

Brands	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue	HK\$'000	% of segment revenue	HK\$'000 (Unaudited)	% of segment revenue	HK\$'000	% of segment revenue
“TenRen (天仁茗茶)” 	37,463	92.2%	71,685	90.6%	111,076	88.9%	41,876	86.4%	67,570	92.0%
“Uncle Tetsu (徹思叔叔)”  (Note 1)	—	—	3,716	4.7%	9,356	7.5%	4,571	9.4%	3,460	4.7%
“Hotel Chocolat” (Note 2) 	—	—	—	—	—	—	—	—	803	1.1%
Others (Note 3)	3,154	7.8%	3,763	4.7%	4,471	3.6%	2,014	4.2%	1,599	2.2%
Total	40,617	100.0%	79,164	100.0%	124,903	100.0%	48,461	100.0%	73,432	100.0%

Notes:

1. We opened our first “Uncle Tetsu (徹思叔叔)”  retail outlet in December 2015.
2. We opened our first “Hotel Chocolat”  retail outlet in April 2017.
3. Others mainly include a Taiwanese candy brand.

“TenRen (天仁茗茶)”  retail outlets was our largest revenue contributor under the Retail Business and constituted approximately 92.2%, 90.6%, 88.9%, 86.4% and 92.0% of the revenue from our Retail Business during the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, respectively.

Our revenue generated from our Retail Business increased by approximately HK\$38.6 million, or 94.9%, from approximately HK\$40.6 million for the year ended 31 March 2015 to approximately HK\$79.2 million for the year ended 31 March 2016, and further increased by approximately HK\$45.7 million, or 57.8%, to approximately HK\$124.9 million for the year ended 31 March 2017. For the five months ended 31 August 2017, our revenue generated from our Retail Business amounted to approximately HK\$73.4 million, representing an increase of approximately HK\$24.9 million, or 51.5%, from that for the five months ended 31 August 2016 of approximately HK\$48.5 million.

FINANCIAL INFORMATION

The increase of revenue from our Retail Business during the Track Record Period was primarily due to the continuous growth in revenue generated from our “TenRen (天仁茗茶)” 天仁茗茶 retail outlets by the increase in sales of beverage products as we continue to expand our “TenRen (天仁茗茶)” 天仁茗茶 retail network in Hong Kong by opening new retail outlets during the Track Record Period. For the list of our “TenRen (天仁茗茶)” 天仁茗茶 retail outlets and their respective opening dates, please see “Business — Retail Business — Retail networks”.

Cost of sales

Our cost of sales during the Track Record Period mainly consists of (i) the cost of inventories sold under our Distribution Business; and (ii) the cost of inventories sold, staff costs, rental and related expenses, utilities expenses and depreciation charges under our Retail Business. The following table sets out the breakdown of our Group’s costs of sale for the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	% of total cost of sales	HK\$'000	% of total cost of sales	HK\$'000	% of total cost of sales	HK\$'000	% of total cost of sales	HK\$'000	% of total cost of sales
(Unaudited)										
Distribution Business										
Cost of inventories sold	172,721	79.7%	146,974	66.2%	168,158	60.8%	65,170	61.1%	66,890	52.6%
Others (Note)	7,145	3.3%	5,844	2.6%	5,682	2.0%	1,997	1.9%	1,980	1.5%
Sub-total	179,866	83.0%	152,818	68.8%	173,840	62.8%	67,167	63.0%	68,870	54.1%
Retail Business										
Cost of inventories sold	13,537	6.2%	23,609	10.6%	32,197	11.6%	12,601	11.8%	17,818	14.0%
Staff costs	8,760	4.0%	17,486	7.9%	29,576	10.7%	11,085	10.4%	17,711	13.9%
Rental and related expenses for retail outlets	7,803	3.6%	16,224	7.3%	25,769	9.3%	9,739	9.1%	14,974	11.8%
Utilities expenses	4,225	2.0%	6,522	2.9%	7,005	2.5%	2,663	2.5%	3,456	2.7%
Depreciation charges	1,626	0.8%	3,634	1.6%	6,077	2.2%	2,393	2.2%	3,030	2.4%
Others (Note)	849	0.4%	1,685	0.9%	2,336	0.9%	975	0.9%	1,361	1.1%
Sub-total	36,800	17.0%	69,160	31.2%	102,960	37.2%	39,456	37.0%	58,350	45.9%
Total	216,666	100.0%	221,978	100.0%	276,800	100.0%	106,623	100.0%	127,220	100.0%

Note: Others includes freight charges, cost of packing materials, franchise fees and other sundry costs.

Cost of inventories sold

Cost of inventories sold was the major component of our cost of sales under both Distribution Business and Retail Business, which in aggregate accounted for approximately 85.9%, 76.8%, 72.4%, 72.9% and 66.6% of our total cost of sales for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, respectively. Our cost of inventories sold mainly represents (i) the purchase cost for the overseas branded food and beverage products from our suppliers under our Distribution Business; and (ii) the purchase cost of raw materials from our franchisors as well as other ingredients, such as certain fresh and perishable raw materials from our local suppliers used for our Retail Business.

FINANCIAL INFORMATION

Our cost of inventories sold under our Distribution Business decreased by approximately HK\$25.7 million, or 14.9%, from approximately HK\$172.7 million for the year ended 31 March 2015 to approximately HK\$147.0 million for the year ended 31 March 2016. Our cost of inventories sold under our Distribution Business then increased by approximately HK\$21.2 million, or 14.4%, to approximately HK\$168.2 million for the year ended 31 March 2017. During the five months ended 31 August 2017, our cost of inventories sold under our Distribution Business increased by approximately HK\$1.7 million, or 2.6%, from approximately HK\$65.2 million for the five months ended 31 August 2016 to approximately HK\$66.9 million for the five months ended 31 August 2017. The fluctuation of our cost of inventories sold under our Distribution Business was generally in line with the movement of our revenue generated from such business during the Track Record Period.

Our cost of inventories sold under our Retail Business increased by approximately HK\$10.1 million, or 74.4%, from approximately HK\$13.5 million for the year ended 31 March 2015 to approximately HK\$23.6 million for the year ended 31 March 2016, and further increased by approximately HK\$8.6 million, or 36.4%, to approximately HK\$32.2 million for the year ended 31 March 2017. During the five months ended 31 August 2017, our cost of inventories sold under our Retail Business increased by approximately HK\$5.2 million, or 41.4%, from approximately HK\$12.6 million for the five months ended 31 August 2016 to approximately HK\$17.8 million. The increase in our cost of inventories sold under our Retail Business was generally in line with the increase in our revenue generated from our Retail Business during the Track Record Period.

Staff costs

Staff costs, which comprise salaries and benefits for personnel directly involved in our Retail Business operation, was the second largest component of our cost of sales under Retail Business and accounted for approximately 4.0%, 7.9%, 10.7%, 10.4% and 13.9% of our total cost of sales for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, respectively. Our staff cost increased by approximately HK\$8.7 million, or 99.6%, from approximately HK\$8.8 million for the year ended 31 March 2015 to approximately HK\$17.5 million for the year ended 31 March 2016. Our staff cost further increased by approximately HK\$12.1 million, or 69.1%, to approximately HK\$29.6 million for the year ended 31 March 2017. During the five months ended 31 August 2017, our staff costs increased by approximately HK\$6.6 million, or 59.8%, from approximately HK\$11.1 million for the five months ended 31 August 2016 to approximately HK\$17.7 million. The increase of our staff costs during the Track Record Period was mainly due to the increase in number of staff to support the expansion of our retail outlets network.

Rental and related expenses

Rental and related expenses, which represented the rental expenses, management fee and other related expenses for our retail outlets under our Retail Business operation, was the third largest component of the cost of sales under our Retail Business and accounted for approximately 3.6%, 7.3%, 9.3%, 9.1% and 11.8% of our total cost of sales for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, respectively. Our rental and related expenses increased by approximately HK\$8.4 million, or 107.9%, from approximately HK\$7.8 million for the year ended 31 March 2015 to approximately HK\$16.2

FINANCIAL INFORMATION

million for the year ended 31 March 2016, and further increased by approximately HK\$9.6 million, or 58.8%, to approximately HK\$25.8 million for the year ended 31 March 2017. During the five months ended 31 August 2017, our rental and related expenses increased by approximately HK\$5.3 million, or 53.8%, from approximately HK\$9.7 million for the five months ended 31 August 2016 to approximately HK\$15.0 million. The increase of rental and related expenses was mainly attributable to the increase in number of our retail outlets.

Please see “— Sensitivity and breakeven analysis” for the impact of hypothetical fluctuations in cost of inventories sold, staff costs and rental and related expenses on our Group’s profit before income tax for each financial year/period during the Track Record Period.

Gross Profit and Gross Profit Margin

Our gross profit amounted to approximately HK\$65.9 million, HK\$77.8 million, HK\$91.2 million, HK\$34.6 million and HK\$42.5 million for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, respectively, representing gross profit margin of approximately 23.3%, 26.0%, 24.8%, 24.5% and 25.0% for the respective years/periods.

The following table sets out the breakdown of our gross profit and gross profit margin by business segments during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Distribution Business	62,075	25.7%	67,788	30.7%	69,235	28.5%	25,586	27.6%	27,417	28.5%
Retail Business	3,817	9.4%	10,004	12.6%	21,943	17.6%	9,005	18.6%	15,082	20.5%
Total/Overall	65,892	23.3%	77,792	26.0%	91,178	24.8%	34,591	24.5%	42,499	25.0%

Our total gross profit increased by approximately HK\$11.9 million, or approximately 18.1%, from approximately HK\$65.9 million for the year ended 31 March 2015 to approximately HK\$77.8 million for the year ended 31 March 2016, and our overall gross profit margin increased from approximately 23.3% for the year ended 31 March 2015 to approximately 26.0% for the year ended 31 March 2016. For the year ended 31 March 2017, our total gross profit further increased by approximately HK\$13.4 million, or approximately 17.2%, to approximately HK\$91.2 million, and our overall gross profit margin remained relatively stable at approximately 24.8% for the year ended 31 March 2017 as compared to the year ended 31 March 2016. For the five months ended 31 August 2017, our total gross profit increased by approximately HK\$7.9 million, or approximately 22.9%, from approximately HK\$34.6 million for the five months ended 31 August 2016 to approximately HK\$42.5 million for the five months ended 31 August 2017, and our overall gross profit margin remained relatively stable at approximately 25.0% for the five months

FINANCIAL INFORMATION

ended 31 August 2017 as compared to approximately 24.5% for the five months ended 31 August 2016. Our total gross profit continued to increase during the Track Record Period, which was generally in line with our revenue growth.

Distribution Business

The gross profit margin of our Distribution Business increased by approximately 5.0 percentage point from approximately 25.7% for the year ended 31 March 2015 to approximately 30.7% for the year ended 31 March 2016. Such increase was mainly due to (i) decrease in sales amount during the year ended 31 March 2016 as compared to the previous year generated from one of our five largest customers and a connected person during the Track Record Period, namely New Odaiba, to whom we generally charged a relatively lower gross profit margin as compared to our other independent customers under the Distribution Business during the Track Record Period, which our Directors considered is on normal commercial terms, fair and reasonable having considered (a) the relatively large sales volume to New Odaiba; (b) the absence of transportation cost as New Odaiba would pick up the products at our warehouses; and (c) that we spent less resources on sales and customer relationship for New Odaiba as compared to our other independent major customers in view of our close relationship; and (ii) the fluctuation in the exchange rates between HK\$ and JPY during the period where JPY depreciated against HK\$ from a daily average exchange rate of approximately HK\$1.0: JPY14.2 for the year ended 31 March 2015 to approximately HK\$1.0: JPY15.5 for the year ended 31 March 2016, representing a depreciation of the average exchange rate (JPY against HK\$) of approximately 9.2%. Given that during the two years ended 31 March 2015 and 2016, approximately HK\$60.1 million and HK\$59.5 million, representing approximately 32.6% and 35.0% of our total purchase respectively were denominated in JPY, while all our revenue was denominated in HK\$, such impact of depreciation of JPY against HK\$ implied the decrease of our purchase costs while the selling prices of our products did not fully reflect such change during the period and hence increase our gross profit margin.

For the year ended 31 March 2017, the gross profit margin of our Distribution Business decreased by approximately 2.2 percentage point from approximately 30.7% for the year ended 31 March 2016 to approximately 28.5% for the year ended 31 March 2017, which was primarily attributable to the appreciation of JPY against HK\$ from a daily average exchange rate of approximately HK\$1.0: JPY15.5 for the year ended 31 March 2016 to approximately HK\$1.0: JPY14.0 for the year ended 31 March 2017, representing an appreciation of the average exchange rate (JPY against HK\$) of approximately 9.7%, which led to an increase of our purchase costs while the selling prices of our products did not fully reflect such change during the period.




During the five months ended 31 August 2017, the gross profit margin of our Distribution Business remained relatively stable at approximately 28.5% as compared to that of the five months ended 31 August 2016 of approximately 27.6%.

FINANCIAL INFORMATION

Retail Business





The gross profit margin of our Retail Business increased by approximately 3.2 percentage point from approximately 9.4% for the year ended 31 March 2015 to approximately 12.6% for the year ended 31 March 2016, and further increased by approximately 5.0 percentage point to approximately 17.6% for the year ended 31 March 2017. During the five months ended 31 August 2017, the gross profit margin of our Retail Business further increased by approximately 1.9 percentage point to approximately 20.5% as compared to that of the five months ended 31 August 2016 of approximately 18.6%.

The following table shows a breakdown of our gross profit and gross profit margin by our retail brands.

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (Unaudited)	%	HK\$'000	%
“TenRen (天仁茗茶)”  茗茶	2,878	7.7%	8,730	12.2%	19,654	17.7%	7,719	18.4%	14,591	21.6%
“Uncle Tetsu (徹思叔叔)”  (Note 1)	N/A	N/A	507	13.6%	2,076	22.2%	993	21.7%	27	0.8%
“Hotel Chocolat”  (Note 2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	40	5.0%
Others (Note 3)	939	29.8%	767	20.4%	213	4.8%	293	14.5%	424	26.5%
Total/overall	3,817	9.4%	10,004	12.6%	21,943	17.6%	9,005	18.6%	15,082	20.5%

Notes:

1. We opened our first “Uncle Tetsu (徹思叔叔)”  retail outlet in December 2015.
2. We opened our first “Hotel Chocolat”  retail outlet in April 2017.
3. Others mainly include a Taiwanese candy brand.

The continued increase in the gross profit margin of our Retail Business during the Track Record Period was mainly due to the increase in demand of (and hence, revenue from) certain products (such as beverage products and tea-flavored ice cream) of “TenRen (天仁茗茶)”  during the Track Record Period which had relatively higher sales margins as further discussed below. The relatively low gross profit and gross profit margin for our “Uncle Tetsu (徹思叔叔)”  for the five months ended 31 August 2017 was mainly due to the decrease in revenue generated from such retail outlets due to lack of continuous marketing activities. The gross profit margin for “Hotel Chocolat”  was relatively low compared with our other brands which was mainly due to the incurrence of set-up costs, such as staff costs and rental and related expenses during the renovation period, before the opening of our first and second retail outlets for “Hotel Chocolat”  in April and August 2017, respectively. The gross profit margin for our other retail brands varies during the Track Record Period between approximately 4.8% to 29.8%. The relatively low gross profit margin for the year ended 31 March 2017 was mainly due to the gross loss from a retail outlet of one of the retail brands we were licensed and operated, resulted from the low demand of its relevant products while the staff costs and rental and related expenses were fixed. We only opened one retail outlet for such brand during the Track Record Period, which were subsequently changed to a Taiwanese street food retail outlet during the five months 31 August 2017.

FINANCIAL INFORMATION

The following table sets forth the breakdown of revenue, cost of inventories sold and the sales margin (calculated by dividing the revenue less cost of inventories sold by revenue) by products of “TenRen (天仁茗茶)” 天仁茗茶 during the Track Record Period.

Product type	Year ended 31 March									Five months ended 31 August					
	2015			2016			2017			2016			2017		
	Cost of inventories		Sales	Cost of inventories		Sales	Cost of inventories		Sales	Cost of inventories		Sales	Cost of inventories		Sales
	Revenue	sold	margin	Revenue	sold	margin	Revenue	sold	margin	Revenue	sold	margin	Revenue	sold	margin
HK\$'000			HK\$'000			HK\$'000			HK\$'000			HK\$'000			
Beverage products and tea-flavored ice cream	32,766	8,152	75.1%	65,568	15,497	76.4%	104,736	23,784	77.3%	39,332	8,623	78.1%	64,937	14,011	78.4%
Packaged tea leaves and snacks and tea wares	4,697	3,689	21.5%	6,117	4,465	27.0%	6,340	4,908	22.6%	2,544	2,032	20.1%	2,633	2,242	14.8%
Total/overall	37,463	11,841	68.4%	71,685	19,962	72.2%	111,076	28,692	74.2%	41,876	10,655	74.6%	67,570	16,253	75.9%

The sales margin of our “TenRen (天仁茗茶)” 天仁茗茶 beverage products and tea-flavored ice cream were relatively high and ranged from approximately 75.1% to 78.4% during the Track Record Period. While the sales margin of our “TenRen (天仁茗茶)” 天仁茗茶 packaged tea leaves and snacks as well as tea wares were significantly lower than that of beverage products and tea-flavored ice cream during the Track Record Period. We also recorded a general increase in the proportion of revenue contributed by the sales of beverage products and tea-flavored ice cream over the total revenue generated from our “TenRen (天仁茗茶)” 天仁茗茶 retail outlets, which were approximately 87.5%, 91.5%, 94.3%, 93.9% and 96.1% for the year ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, respectively, which was mainly attributable to (i) the increase in demand of our beverage products and tea-flavored ice cream mainly due to the increase of brand awareness as evidenced by the increase of our Group’s market share in the tea drinks chain market in Hong Kong from approximately 11.0% for the period from 1 November 2014 to 31 October 2015 to approximately 24.3% for the period from 1 November 2016 to 31 October 2017 according to the Industry Report; and (ii) we have gradually reduced the proportion of the designed display area for the packaged tea leaves and tea wares products in our “TenRen (天仁茗茶)” 天仁茗茶 retail outlets which were opened during the Track Record Period such that we have more space for the serving of beverage products and/or tea-flavored ice cream after taking into account the relatively low sales margin of the packaged tea leaves and tea wares products abovementioned, so as to capture the increasing demand of our beverage products and tea-flavored ice cream.

Other gains/(losses)

Our other net gains/(losses) mainly consists of (i) change in cash surrender value of key management life insurance contracts; (ii) fair value gains or losses on financial assets at fair value through profit or loss; and (iii) exchange gains or losses.

FINANCIAL INFORMATION

The following table sets out the breakdown of our other gains and losses for the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Change in cash surrender value of key management life insurance contracts	175	208	(413)	(554)	(530)
Fair value (loss)/gain on financial assets at fair value through profit or loss	(9)	(442)	398	312	360
Exchange gain/(loss)	<u>2,455</u>	<u>(389)</u>	<u>(1,102)</u>	<u>(1,767)</u>	<u>(1,319)</u>
	<u><u>2,621</u></u>	<u><u>(623)</u></u>	<u><u>(1,117)</u></u>	<u><u>(2,009)</u></u>	<u><u>(1,489)</u></u>

The change in cash surrender value of key management life insurance contracts mainly represents the change in value of the life insurance contracts taken out by our Group, with Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau, being our key management as the underlying personnel. The key management life insurance contracts were initially recognised at the amount of the premium paid and subsequently carried at cash surrender value at each financial year/period end date, with changes in values being recognised in profit or loss of our Group.

The financial assets at fair value through profit or loss represents the investment funds comprised portfolio funds issued by reputable international banks which primarily invest in listed securities and bonds. As at the Latest Practicable Date, we have sold such investment funds. Our Group currently has no plan to invest in other fund or investment product after Listing and has not identified any of such investment opportunity as at the Latest Practicable Date.

Our exchange gains or losses mainly arisen from the exchange difference between JPY and HK\$ between (i) the date we record the trade payable and the date we finally settle such amount; and (ii) the time we drawdown the bank borrowings denominated in JPY which were utilised to settle the trade payables and the period-end date and/or the settlement date.

FINANCIAL INFORMATION

Other income

During the Track Record Period, our other income mainly consists of (i) rental income received from Best Sky Hong Kong Limited (“**Best Sky HK**”); and (ii) dividend income received from the investment funds we held.

The following table sets out the breakdown of our other income for the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	96	96	120	50	50
Sundry income (<i>Note</i>)	278	191	181	79	84
Total	374	287	301	129	134

Note: Sundry income mainly represents the dividend income from the investment fund we held during the Track Record Period.

Rental income represents the rental income we received from Best Sky HK, a company which was 60.0% owned by Mr. Stephen Chan, our executive Director, and 40.0% owned by an Independent Third Party. Best Sky HK, as sub-lessee, had been sub-leasing the premise at Unit A1, 11/F, Block A, Ko Fai Industrial Building, No. 7 Ko Fai Road, Kowloon, Hong Kong from our Group, as sub-lessor, during the Track Record Period. While such transaction was discontinued since November 2017. Please see “Relationship with Substantial Shareholders — Our group’s business and the other business” for more details of Best Sky HK.

FINANCIAL INFORMATION

Selling and distribution expenses

During the Track Record Period, our selling and distribution expenses mainly represent transportation expenses, advertising and promotion expenses and rental and related expenses for warehouses. The following table sets out the breakdown of our selling and distribution expenses for the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)									
Transportation expenses	11,024	40.8%	11,141	39.0%	12,546	39.5%	5,027	35.8%	5,513	35.2%
Advertising and promotion expenses	9,504	35.1%	11,101	38.8%	12,644	39.8%	6,342	45.1%	7,228	46.1%
Rental and related expenses for warehouse	4,720	17.5%	4,720	16.5%	4,720	14.8%	1,967	14.0%	1,967	12.5%
Staff costs	845	3.1%	920	3.2%	1,118	3.5%	398	2.8%	582	3.7%
Depreciation	560	2.1%	345	1.2%	427	1.3%	125	0.9%	220	1.4%
Others	375	1.4%	376	1.3%	344	1.1%	199	1.4%	178	1.1%
Total	<u>27,028</u>	<u>100.0%</u>	<u>28,603</u>	<u>100.0%</u>	<u>31,799</u>	<u>100.0%</u>	<u>14,058</u>	<u>100.0%</u>	<u>15,688</u>	<u>100.0%</u>

Transportation expenses mainly represents the delivery service fee payable to local transportation/logistics companies for delivery of our products from our warehouses to our customers' designated point. Advertising and promotion expenses primarily consists of expenses and fees related to advertisements placed on various media platform to promote our products. Rental expenses primarily represents the costs for renting our warehouses. Staff costs primarily represents the salaries payable to our warehouse staff comprising mainly salaries, allowances and employee benefits and retirement benefit costs. Depreciation primarily represents the depreciation of our delivery vehicles, furniture and fixtures installed in our warehouses.

Our selling and distribution expenses increased by approximately HK\$1.6 million from approximately HK\$27.0 million for the year ended 31 March 2015 to approximately HK\$28.6 million for the year ended 31 March 2016, primarily as a result of the increase in advertising and promotion expenses of approximately HK\$1.6 million mainly due to the increase in number of promotion activities and marketing events held during the year which was in line with our revenue growth.

Our selling and distribution expenses further increased by approximately HK\$3.2 million to approximately HK\$31.8 million for the year ended 31 March 2017. Such increase was mainly due to (i) the increase in advertising and promotion expenses of approximately HK\$1.5 million mainly due to the further increase in number of promotion activities and marketing events held during the year which was in line with our revenue growth; and (ii) the increase in transportation expenses of

FINANCIAL INFORMATION

approximately HK\$1.4 million as a result of the increase in our sales volume during the year ended 31 March 2017 as compared to the previous year which was also in line with our revenue growth.

Our selling and distribution expenses increased by approximately HK\$1.6 million from approximately HK\$14.1 million for the five months ended 31 August 2016 to approximately HK\$15.7 million for the five months ended 31 August 2017. Such increase was mainly due to (i) the increase in advertising and promotion expenses of approximately HK\$0.9 million; and (ii) the increase in transportation expenses of approximately HK\$0.5 million for the same reasons as discussed above.

Administrative expenses

During the Track Record Period, our administrative expenses mainly represent management and staff salaries and benefits, travelling expenses, rental and related expenses, office expenses, bank charges and depreciation. The following table sets out the breakdown of our administrative expenses for the Track Record Period:

	Year ended 31 March						Five months ended 31 August					
	2015		2016		2017		2016		2017			
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%		
	(Unaudited)											
Management and staff salaries and benefits	14,732	69.7%	15,764	69.9%	16,079	68.8%	5,876	66.3%	6,363	40.6%		
Travelling expenses	1,992	9.4%	1,608	7.1%	1,167	5.0%	540	6.1%	296	1.9%		
Rental and related expenses for office	1,161	5.5%	1,161	5.2%	1,161	5.0%	484	5.5%	484	3.1%		
Office expenses	1,463	6.9%	1,973	8.8%	1,789	7.6%	724	8.2%	646	4.1%		
Bank charges	515	2.4%	616	2.7%	765	3.3%	358	4.0%	357	2.3%		
Depreciation	430	2.0%	416	1.8%	531	2.3%	223	2.5%	298	1.9%		
Auditor's remuneration	96	0.5%	106	0.5%	110	0.5%	46	0.5%	50	0.3%		
Legal and other professional fees	17	0.1%	107	0.5%	327	1.4%	65	0.7%	137	0.9%		
Listing expenses	—	0.0%	—	0.0%	—	0.0%	—	0.0%	6,180	39.5%		
Others (<i>Note</i>)	719	3.5%	793	3.5%	1,457	6.1%	548	6.2%	846	5.4%		
Total	21,125	100.0%	22,544	100.0%	23,386	100.0%	8,864	100.0%	15,657	100.0%		

Note: Others mainly include repair and maintenance, cleaning and sanitary expenses, licence fees and sundry expenses.

FINANCIAL INFORMATION

Our administrative expenses increased by approximately HK\$1.4 million, or 6.7%, from approximately HK\$21.1 million for the year ended 31 March 2015 to approximately HK\$22.5 million for the year ended 31 March 2016, and further increased by approximately HK\$0.8 million, or 3.7%, to approximately HK\$23.4 million for the year ended 31 March 2017. The increasing trend during the three years ended 31 March 2017 were mainly attributable to the increase in the headcount and salaries of our administrative staff and management staff as a result of the expansion of our business, which was in line with the increase of our revenue during the corresponding years.

Our administrative expenses increased by approximately HK\$6.8 million, or 76.6%, from approximately HK\$8.9 million for the five months ended 31 August 2016 to approximately HK\$15.7 million for the five months ended 31 August 2017. The increase was primarily attributable to the recognition of Listing expenses amounting to approximately HK\$6.2 million during the five months ended 31 August 2017.

For more details of our Listing expenses, please see “— Listing Expenses”.

Finance costs

For the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, our Group recorded finance costs of approximately HK\$1.4 million, HK\$1.0 million, HK\$1.4 million, HK\$0.5 million and HK\$0.6 million, respectively. Our finance costs mainly comprised the interest expenses on our bank borrowings. For more details of our bank borrowings, please see “— Indebtedness — Borrowings”.

Income tax expense

Our Group’s operations are based in Hong Kong and we are subject to Hong Kong profits tax calculated at 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period.

For the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, our Group recorded income tax expense of approximately HK\$3.1 million, HK\$4.1 million, HK\$5.5 million, HK\$1.6 million and HK\$2.6 million, respectively, representing an effective tax rate of approximately 16.0%, 16.4%, 16.4%, 17.3% and 28.5%, respectively, for the corresponding years/periods. The relatively higher effective tax rate for the five months ended 31 August 2017 was mainly due to the recognition of Listing expenses, which was not tax deductible.

Our Group had no tax obligation arising from other jurisdictions during the Track Record Period. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material dispute or unresolved tax issues with the relevant tax authorities.

FINANCIAL INFORMATION

Profit and total comprehensive income attributable to owners of our Company

As a result of the foregoing, our profit and total comprehensive income attributable to owners of our Company has increased by approximately HK\$6.1 million, or 44.9%, from approximately HK\$13.7 million for the year ended 31 March 2015 to approximately HK\$19.8 million for the year ended 31 March 2016, and further increased by approximately HK\$7.6 million, or 38.1%, to approximately HK\$27.4 million for the year ended 31 March 2017.

The profit and total comprehensive income attributable to owners of our Company decreased by approximately HK\$1.2 million, or 15.4% from approximately HK\$7.4 million for the five months ended 31 August 2016 to approximately HK\$6.2 million for the five months ended 31 August 2017. Excluding the non-recurring Listing expenses of approximately HK\$6.2 million incurred during the five months ended 31 August 2017, our profit and total comprehensive income attributable to owners of our Company would be approximately HK\$12.4 million for the five months ended 31 August 2017, representing an increase of approximately HK\$5.0 million.

LISTING EXPENSES

Our Directors are of the view that our financial results for the year ending 31 March 2018 are expected to be adversely affected by the Listing expenses in relation to the Share Offer, the nature of which is non-recurring. The total Listing fees in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$27.2 million (based on the mid-point of the indicative Offer Price range of HK\$0.9 per Offer Share and 100,000,000 Offer Shares). Among the estimated total Listing fees, (i) approximately HK\$10.1 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$17.1 million is expected to be recognised as expenses in our combined statements of comprehensive income, of which approximately HK\$6.2 million had been recognised for the five months ended 31 August 2017 and the remaining of approximately HK\$10.9 million is expected to be recognised during the seven months ending 31 March 2018.

Our Directors would like to emphasise that the amount of the Listing expenses is a current estimate for reference only and the final amount to be recognised in the combined financial statements of our Company for the year ending 31 March 2018 is subject to adjustment based on audit and the then changes in variables and assumptions.

Prospective investors should note that the financial performance of our Group for the year ending 31 March 2018 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Our principal liquidity and working capital requirements primarily related to our operating expenses. Historically, we have met our working capital and other liquidity requirements principally through a combination of cash generated from our operations, bank borrowings and advances from shareholders. Going forward, we expect to fund our working capital and other liquidity requirements with a combination of various sources, including but not limited to cash generated from our operations, bank borrowings, the net proceeds from the Share Offer as well as other external equity and debt financings as and when appropriate.

Cash flows

The following table summarises our cash flows for the Track Record Period:

	Year ended 31 March			Five months ended 31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	29,854	33,326	22,963	6,553
Net cash used in investing activities	(4,228)	(9,253)	(14,348)	(17,632)
Net cash used in financing activities	(23,451)	(6,561)	(1,246)	(1,754)
Net increase/(decrease) in cash and cash equivalents	2,175	17,512	7,369	(12,833)
Cash and cash equivalents at beginning of the year/period	10,421	12,596	30,108	37,477
Cash and cash equivalents at end of the year/period	<u>12,596</u>	<u>30,108</u>	<u>37,477</u>	<u>24,644</u>

Cash flows in operating activities

Our cash inflow from operating activities was principally derived from the receipt of payments for the sale of our products under our Distribution Business and the cash sales of our products in our retail outlets under our Retail Business. Our cash used in operating activities was principally for purchase of inventories, payment of staff costs, income tax, selling and distribution expenses and administrative and other operating expenses.

The increase in our net cash inflows from operating activities for the year ended 31 March 2016 as compared to the year ended 31 March 2015 was mainly due to the increase in our revenue as a result of our expansion of retail outlets during such period.

FINANCIAL INFORMATION

The decrease in our net cash inflows from operating activities for the year ended 31 March 2017 as compared to the year ended 31 March 2016 was mainly attributable to (i) the increase in trade receivables which was mainly due to more sales made towards the end of the year ended 31 March 2017 as compared to that for the year ended 31 March 2016; and (ii) the increase in payment of rental deposits for the premises we leased as retail outlets for our Retail Business.

The net cash inflows from operating activities for the five months ended 31 August 2017 amounted to approximately HK\$6.6 million. The relatively lower amount of net cash inflows from operating activities for the five months ended 31 August 2017 was mainly due to the payment of Listing expenses during such period.

Cash flows in investing activities

Our cash used in investing activities reflects our cash used in payments for purchases of (i) property, plant and equipment; (ii) key management life insurance contracts; and (iii) the placement of restricted cash deposit.

For the year ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our net cash used in investing activities amounted to approximately HK\$4.2 million, HK\$9.3 million, HK\$14.3 million and HK\$17.6 million, respectively. The increase in our net cash used in investing activities during the Track Record Period was mainly attributable to (i) the increase in cash used to purchase property, plant and equipment which was mainly due to the increase in amount paid to renovate our new retail outlets and to purchase relevant equipments; (ii) the increase in cash used to purchase new key management life insurance contracts; and (iii) a restricted cash deposit of approximately HK\$7.5 million made as reserve for banking facilities of HK\$30.0 million during the five months ended 31 August 2017.

Cash flows in financing activities

During the Track Record Period, our cash flows in financing activities primarily consisted of the proceeds from bank borrowings, repayments of bank borrowings, advances from and repayments to related parties and payment of interest expenses.

For the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our net cash used in financing activities amounted to approximately HK\$23.5 million, HK\$6.6 million, HK\$1.2 million and HK\$1.8 million, respectively. The decrease in our net cash used in financing activities during the three years ended 31 March 2015, 2016 and 2017 was mainly due to the increase in proceeds from bank borrowings net off the repayments of bank borrowings which was utilised for funding our operation activities. The increase in our net cash used in financing activities for the five months ended 31 August 2017 was mainly due to the payment of Listing expenses.

Working capital

Our Directors are of the opinion that, taking into consideration of the financial resources presently available to our Group, including cash and cash equivalents on hand, our operating cash flow, the available banking facilities to our Group and the expected proceeds from the Share Offer, our Group has sufficient working capital to meet our present requirements for at least the next 12 months from the date of this prospectus.

FINANCIAL INFORMATION

NET CURRENT ASSETS

As at 31 March 2015, 2016 and 2017, 31 August 2017 and 31 December 2017, we had net current assets of approximately HK\$24.6 million, HK\$26.7 million, HK\$28.7 million, HK\$25.9 million and HK\$33.1 million, respectively. Details of the components are set out as follows:

	As at 31 March			As at 31 August	As at 31 December
	2015	2016	2017	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)
Current assets					
Inventories	17,924	17,485	18,733	22,879	27,488
Trade receivables	52,823	53,260	62,973	67,307	79,037
Deposits, prepayments and other receivables	3,890	4,557	6,724	9,595	13,395
Restricted cash	—	—	—	7,500	22,500
Cash and cash equivalents	<u>12,596</u>	<u>30,108</u>	<u>37,477</u>	<u>24,644</u>	<u>24,893</u>
	<u>87,233</u>	<u>105,410</u>	<u>125,907</u>	<u>131,925</u>	<u>167,313</u>
Current liabilities					
Trade and other payables	12,805	17,954	18,197	23,852	31,775
Income tax payables	646	2,994	3,740	5,399	9,179
Amounts due to related parties	24,085	31,608	42,791	23,981	17,031
Obligation under hire purchase contracts	306	157	98	99	—
Bank borrowings	<u>24,840</u>	<u>26,006</u>	<u>32,399</u>	<u>52,653</u>	<u>76,205</u>
	<u>62,682</u>	<u>78,719</u>	<u>97,225</u>	<u>105,984</u>	<u>134,190</u>
Net current assets	<u>24,551</u>	<u>26,691</u>	<u>28,682</u>	<u>25,941</u>	<u>33,123</u>

Our current assets as at 31 March 2015, 2016 and 2017, 31 August 2017 and 31 December 2017 were approximately HK\$87.2 million, HK\$105.4 million, HK\$125.9 million, HK\$131.9 million and HK\$167.3 million, respectively, with inventories, trade receivables and cash and cash equivalents being the major components. Our current liabilities as at 31 March 2015, 2016 and 2017, 31 August 2017 and 31 December 2017 amounted to approximately HK\$62.7 million, HK\$78.7 million, HK\$97.2 million, HK\$106.0 million and HK\$134.2 million, respectively, with trade and other payables, amounts due to related parties and bank borrowings being the major components.

Based on our unaudited combined management accounts, we recorded an increase in our net current assets to approximately HK\$33.1 million as at 31 December 2017.

FINANCIAL INFORMATION

For details regarding the major items affecting our net current assets during the Track Record Period, please see “— Description and analysis of principal items in the combined statements of financial position”.

DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

As at 31 March 2015, 2016 and 2017 and 31 August 2017, our inventories principally comprised of (i) finished goods of overseas branded food and beverage products under our Distribution Business and Retail Business; and (ii) raw materials such as fresh and perishable raw materials used in our Retail Business. Our inventories amounted to approximately HK\$17.9 million, HK\$17.5 million, HK\$18.7 million and HK\$22.9 million as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively.

The following table sets forth the balances and turnover days of our inventories as at the dates indicated:

	As at 31 March			As at
	2015	2016	2017	31 August 2017
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Raw material	1,513	3,474	3,018	3,803
Finished goods	16,411	14,011	15,715	19,076
 Total	17,924	17,485	18,733	22,879
 Inventory turnover days (<i>Note</i>)	36.8	38.0	33.0	37.6

Note: Inventory turnover days is calculated by dividing the average inventory balance by cost of inventories sold for the relevant year/period and multiplied by the number of days during the year/period (i.e. 365 days for each of the years ended 31 March 2015 and 31 March 2017, 366 days for the year ended 31 March 2016 and 153 days for the five months ended 31 August 2017). Average inventory balance is the average of the beginning and the ending inventory balance.

As at 31 March 2015, 2016 and 2017, our inventory balance remained relatively stable at approximately HK\$17.9 million, HK\$17.5 million and HK\$18.7 million, respectively.

Our inventory balance increased from approximately HK\$18.7 million as at 31 March 2017 to approximately HK\$22.9 million as at 31 August 2017. Such increase was mainly due to stock up of inventories towards period-end of 31 August 2017 in anticipation of increase in sales amount in connection with the upcoming promotion activities held in September 2017 for our Distribution Business.

Our inventory turnover days remained relatively stable at approximately 36.8 days, 38.0 days, 33.0 days and 37.6 days, for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively.

FINANCIAL INFORMATION

As at the Latest Practicable Date, approximately HK\$22.7 million, or 99.3%, of our inventories as at 31 August 2017 had been subsequently utilised or sold.

Trade receivables

Our trade receivables primarily consist of trade receivables for our products sold to our customers under the Distribution Business. During the Track Record Period, the sales to our customers under the Retail Business were mainly on cash basis whereas we generally grant a credit period of 0 to 120 days to our customers under the Distribution Business.

The following table sets forth our trade receivables as at the dates indicated:

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	52,823	53,260	62,973	67,307

As at 31 March 2015 and 2016, our trade receivables remained relatively stable at approximately HK\$52.8 million and HK\$53.3 million, respectively. Our trade receivables increased by approximately HK\$9.7 million from approximately HK\$53.3 million as at 31 March 2016 to approximately HK\$63.0 million as at 31 March 2017, which was mainly due to the increase in revenue from our Distribution Business recorded in the last two months of the year ended 31 March 2017 as compared to that for the year ended 31 March 2016.

Our trade receivables further increased slightly from approximately HK\$63.0 million as at 31 March 2017 to approximately HK\$67.3 million as at 31 August 2017, which was mainly due to the increase of our revenue from Distribution Business recorded during the last two months for the period ended 31 August 2017 as compared to that during the year ended 31 March 2017.

The following table sets out the ageing analysis of our trade receivables based on invoice date as at the dates indicated:

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	13,411	15,812	22,889	24,205
31–60 days	11,714	12,656	15,154	17,191
61–90 days	16,612	13,940	12,780	10,773
91–180 days	9,306	10,037	11,301	13,488
Over 180 days	1,780	815	849	1,650
Total	52,823	53,260	62,973	67,307

FINANCIAL INFORMATION

As at 31 March 2015, 2016 and 2017 and 31 August 2017, trade receivables of approximately HK\$14.7 million, HK\$13.4 million, HK\$11.2 million and HK\$15.6 million, respectively, were past due but not impaired. These relate to a number of independent customers whom to our Directors' knowledge, had no financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables based on due date is as follows:

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1–30 days	10,658	10,160	8,715	8,544
31–60 days	1,301	1,522	1,093	2,506
61–90 days	327	554	463	2,854
Over 90 days	2,424	1,134	913	1,732
Total	14,710	13,370	11,184	15,636

As at the Latest Practicable Date, approximately HK\$67.3 million, or 99.9%, of our trade receivables as at 31 August 2017 had been subsequently settled.

The table below sets out our average trade receivables turnover days for the years/period indicated:

	Year ended 31 March			Five months ended 31 August
	2015	2016	2017	2017
	<i>(Days)</i>	<i>(Days)</i>	<i>(Days)</i>	<i>(Days)</i>
Trade receivables turnover days (<i>Note</i>)	87.1	88.0	87.3	103.5

Note: Given that our sales in Retail Business are mostly on cash basis, our trade receivable turnover days are calculated by dividing the average trade receivable balance by revenue of our Distribution Business for the relevant year/period multiplied by the number of days during the year/period (i.e. 365 days for each of the years ended 31 March 2015 and 31 March 2017, 366 days for the year ended 31 March 2016 and 153 days for the five months ended 31 August 2017). Average trade receivable balance is the average of the beginning and ending trade receivable balances for the relevant year/period.

For the three years ended 31 March 2015, 2016 and 2017, our trade receivables turnover days remained relatively stable at approximately 87.1 days, 88.0 days and 87.3 days, respectively. Our trade receivables turnover days increased by approximately 16.2 days from approximately 87.3 days for the year ended 31 March 2017 to approximately 103.5 days for the five months ended 31 August 2017. Such increase was mainly attributable to the increase in trade receivables as discussed above.

FINANCIAL INFORMATION

Deposits, prepayments, other receivables and other assets

As at 31 March 2015, 2016 and 2017 and 31 August 2017, our Group had deposits, prepayments, other receivables and other assets of approximately HK\$12.9 million, HK\$15.8 million, HK\$22.4 million and HK\$30.4 million, respectively, which mainly comprised (i) prepayment paid to suppliers for our Distribution Business; (ii) rental and other deposits; and (iii) investment in key management life insurance contracts. The following sets forth a breakdown of our deposits, prepayments and other receivables as at the dates indicated:

	<u>As at 31 March</u>			<u>As at</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>31 August</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<u>2017</u>
				<i>HK\$'000</i>
Non-current				
Rental deposits	2,099	3,351	4,202	6,642
Deposits for the purchase of property, plant and equipment	56	569	1,457	1,329
Key management life insurance contracts	<u>6,885</u>	<u>7,353</u>	<u>9,972</u>	<u>12,785</u>
Sub-total	<u>9,040</u>	<u>11,273</u>	<u>15,631</u>	<u>20,756</u>
Current				
Prepayments	2,507	2,585	2,919	4,190
Rental and other deposits	1,244	1,544	3,252	2,799
Other receivables	31	69	152	2,250
Amount due from a related party	97	98	218	268
Income tax recoverable	<u>11</u>	<u>261</u>	<u>183</u>	<u>88</u>
Sub-total	<u>3,890</u>	<u>4,557</u>	<u>6,724</u>	<u>9,595</u>
Total	<u>12,930</u>	<u>15,830</u>	<u>22,355</u>	<u>30,351</u>

We recorded increase in our deposits, prepayments, other receivables and other assets during the Track Record Period, which was mainly attributable to (i) the increase in our rental deposits paid; (ii) additional key management life insurance contracts we held; and (iii) the increase in prepayments to our suppliers.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, our rental and other deposits were approximately HK\$3.3 million, HK\$4.9 million, HK\$7.5 million and HK\$9.4 million, respectively, which mainly represent the deposits paid for the leasing of premises as our retail outlets. The increase in our rental deposits was generally in line with the increase in our number of retail outlets during the Track Record Period.


FINANCIAL INFORMATION

As at 31 March 2015, 2016 and 2017 and 31 August 2017, we have six, six, seven and eight key management life insurance contracts with an aggregate carrying value of approximately HK\$6.9 million, HK\$7.4 million, HK\$10.0 million and HK\$12.8 million, respectively, which mainly represent the cash surrender value of such life insurance contracts. The increase in the carry value of our key management life insurance contracts was mainly due to (i) purchase of additional one and one life insurance contract during the year ended 31 March 2017 and the five months ended 31 August 2017, respectively; and (ii) increase in aggregate cash surrender value of such life insurance contracts. The key management life insurance contracts that were bought by the Group during the Track Record Period were partially financed by term loans from one of our principal banks. As at 31 December 2017, the outstanding balance of the relevant bank borrowings were approximately HK\$3.2 million. The underlying personnel of the key management life insurance contracts were Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau, being our executive Directors and Substantial Shareholders. We intend to continue holding one key management life insurance contract for each of Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau and novate the remaining five key management life insurance contracts to settle part of the special dividend which was declared on 14 February 2018 and will be settled before Listing. For more details, please see “— Dividend” below.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, our prepayments were approximately HK\$2.5 million, HK\$2.6 million, HK\$2.9 million and HK\$4.2 million, respectively, which mainly represent the prepayments made to our suppliers. The increase in our prepayments was generally in line with the increase in our total revenue during the Track Record Period.

Trade and other payables

Trade payables

As at 31 March 2015, 2016 and 2017 and 31 August 2017, our trade payables primarily consist of balances related to our suppliers for purchases of our food and beverage products and raw materials for both Distribution Business and Retail Business. Our suppliers generally offer us credit period from 0 to 90 days. Our trade payables increased from approximately HK\$4.8 million as at 31 March 2015 to approximately HK\$7.3 million as at 31 March 2016, which was mainly due to the increase in purchase in the last months for the year ended 31 March 2016 for the new product line of “UHA (味覺糖)”  味覺糖 launched in late 2015. Our trade payables subsequently decreased to approximately HK\$5.5 million as at 31 March 2017. Our trade payables remained relatively stable at approximately HK\$5.2 million as at 31 August 2017 as compared to approximately HK\$5.5 million as at 31 March 2017.

FINANCIAL INFORMATION

The table below sets forth the ageing analysis of our trade payables based on invoice dates as at the dates indicated:

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	3,775	6,959	5,321	4,816
31–60 days	376	340	62	275
61–90 days	235	4	—	15
Over 90 days	459	18	90	109
 Total	4,845	7,321	5,473	5,215

The following table sets out our turnover days of trade payables for the periods indicated:

	Year ended 31 March			Five months ended 31 August
	2015	2016	2017	2017
	<i>(Days)</i>	<i>(Days)</i>	<i>(Days)</i>	<i>(Days)</i>
Average trade payables turnover day <i>(Note)</i>	12.3	13.1	11.7	9.7

Note: Trade payable turnover days are calculated by dividing the average trade payable balance by the total amount of cost of inventories sold for the relevant year/period multiplied by the number of days during the year/period (i.e. 365 days for each of the year ended 31 March 2015 and 31 March 2017, 366 days for the year ended 31 March 2016 and 153 days for the five months ended 31 August 2017). Average trade payable balance is the average of the beginning and ending trade payable balances for the relevant year.

Our trade payables turnover days remained relatively stable at approximately 12.3 days, 13.1 days, 11.7 days and 9.7 days for the years ended 31 March 2015, 2016 and 2017 and five months ended 31 August 2017, respectively.

As at the Latest Practicable Date, 100.0% of our Group's trade payables as at 31 August 2017 were subsequently settled.

Our Directors confirm that our Group did not have any material default in payment of trade payables during the Track Record Period.

FINANCIAL INFORMATION

Other payables

As at 31 March 2015, 31 March 2016, 31 March 2017 and 31 August 2017, our Group had other payables of approximately HK\$8.0 million, HK\$10.6 million, HK\$12.7 million and HK\$18.6 million, respectively. The following table sets forth the breakdown of our other payables and accrued charges as at the dates indicated:

	As at 31 March			As at
	2015	2016	2017	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals for employee benefits	4,148	5,560	6,645	7,287
Provision for unused annual leave	365	450	487	732
Provision for long service payment	728	728	728	728
Provision for reinstatement costs	449	909	1,424	1,765
Accruals for operating expense	1,020	1,715	1,700	3,955
Accruals for property, plants and equipment	500	497	935	1,316
Other payables	750	774	805	2,854
 Total	 7,960	 10,633	 12,724	 18,637

We recorded an increasing trend in our other payables during the Track Record Period, which was mainly attributable to (i) the increase in accruals for operating expenses which mainly represent accrued delivery fees, marketing expenses, other utility expenses and accrued Listing expenses which was generally in line with the increase of our total revenue during the Track Record Period and the recognition of Listing expenses during the five months ended 31 August 2017; (ii) the increase in accruals for property, plants and equipment which mainly represent accrued renovation expenses for our retail outlets which was in line with the increase in number of our retail outlets during the Track Record Period; and (iii) accruals for employee benefits as a result of the increase in number of staff.

Our Directors have confirmed that our Group did not have any material default in payment of accruals and other payables during the Track Record Period.

FINANCIAL INFORMATION

INDEBTEDNESS

Borrowings

The table below sets forth our borrowings as at the relevant dates indicated:

	As at 31 March			As at	As at
	2015	2016	2017	31 August	31 December
	HK\$'000	HK\$'000	HK\$'000	2017	2017
				HK\$'000	HK\$'000 (Unaudited)
Bank borrowings	24,840	26,006	32,399	52,653	76,205
Obligation under hire purchase contracts	<u>368</u>	<u>322</u>	<u>165</u>	<u>124</u>	<u>—</u>
Total	<u>25,208</u>	<u>26,328</u>	<u>32,564</u>	<u>52,777</u>	<u>76,205</u>

Among our outstanding bank borrowings as at 31 December 2017, (i) approximately HK\$35.0 million was import loans; (ii) approximately HK\$30.0 million was term loans; (iii) approximately HK\$8.0 million was revolving loans; and (iv) approximately HK\$3.2 million was bank loans taken out by our Group for financing the purchases of key management life insurance contracts.

Such bank borrowings were secured by (i) our Group's investment funds; (ii) our Group's key management life insurance contracts; (iii) our Group's restricted cash deposit; (iv) cross guarantees provided by our Group and our related companies; (v) personal guarantees provided by our Substantial Shareholders; and/or (vi) our Group's trade receivables.

The banks who granted the banking facilities to us have agreed in principal that the personal guarantees provided by our Substantial Shareholders and cross guarantees by our Group's related companies will be released and replaced by restricted cash deposit and corporate guarantee from our Company (including our subsidiaries) upon Listing.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, the obligations under hire purchase contracts were secured by the Group's motor vehicles. The Group has repaid in full the obligations under the hire purchase contracts in November 2017.

Contingent liabilities and guarantees

As at 31 March 2015, 2016 and 2017, 31 August 2017 and 31 December 2017, our Group has executed cross guarantees with its related companies for certain banking facilities which were shared with the related companies. As at 31 March 2015, 2016 and 2017, 31 August 2017 and 31 December 2017, banking facilities of approximately HK\$14.0 million, HK\$12.3 million, HK\$10.5 million, HK\$9.8 million and HK\$9.2 million, respectively, were utilised by a related company and were secured by the properties of the related company. The bank has agreed in principle that the cross guarantee provided by our Group will be released upon Listing.

FINANCIAL INFORMATION

Save for disclosed above and apart from intra-group liabilities, our Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at 31 December 2017, being the latest practicable date for the preparation of the indebtedness statement in this prospectus.

Banking facilities

As at 31 December 2017, our Group's total banking facilities amounted to approximately HK\$151.2 million, which mainly include import loan, revolving loan, bank guarantee, overdraft and term loan. Among such banking facilities, approximately HK\$95.7 million banking facilities were utilised by us, and the unutilised banking facilities were approximately HK\$55.5 million as at 31 December 2017.

All of the banking facilities are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. Pursuant to the terms of three banking facilities of approximately HK\$121.2 million in aggregate as at the Latest Practicable Date, Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau shall collectively hold not less than 51% of the entire issued share capital of the Company or Wise Fine (as the case may be), breach of which may cause the aforesaid banking facilities become immediately due and payable by our Group. We regularly monitor our compliance with these covenants. During the Track Record Period, none of the covenants under the outstanding banking facilities had been breached.

Our Directors confirm that there was no material delay or default in repayment of borrowings during the Track Record Period and up to the Latest Practicable Date. To the best knowledge and belief of our Directors, our Group will not have material difficulties in obtaining new banking facilities or renewing our existing banking facilities with commercially acceptable terms after Listing.

FINANCIAL INFORMATION

Amounts due to related parties

	As at 31 March			As at 31 August	As at 31 December
	2015	2016	2017	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)
Amounts due to related parties					
— Mr. Chan Kam Chuen, Andrew	7,083	11,400	15,620	9,540	5,771
— Mr. Fung King Wai, Paul	4,156	5,206	6,316	6,136	5,936
— Mr. Chan Siu Cheung, Stephen	6,034	7,151	9,632	3,558	4,276
— Mr. Chau Wing Kong, William	6,347	7,386	11,223	4,747	1,048
— New Odaiba (<i>Note</i>)	465	465	—	—	—
	<u>24,085</u>	<u>31,608</u>	<u>42,791</u>	<u>23,981</u>	<u>17,031</u>

Note: New Odaiba is wholly-owned by Ms. Tan Ching Bee, being the spouse of Mr. William Chau.

As at 31 March 2015, 2016 and 2017, 31 August 2017 and 31 December 2017, the amounts due to related parties were mainly originated from dividends declared to the then shareholders of our subsidiaries and recorded as amounts due to related parties, which represented the advances provided by them to our Group in meeting our working capital requirements during the Track Record Period. These amounts were non-trade in nature, unsecured, interest-free and repayable on demand. Such amount has been fully repaid before February 2018 and there was no outstanding balance of any amount due from or to related party since February 2018.

MATERIAL INDEBTEDNESS CHANGE

In January 2018, we have drawn down a term loan of HK\$15.0 million to repay the amounts due to related parties. Other than that, our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in indebtedness of our Group since 31 December 2017, being the latest practicable date for the preparation of the indebtedness statement in this prospectus.

Our Directors have confirmed that as at the Latest Practicable Date, our Group did not have any plans to raise any material debt financing shortly after Listing.

CAPITAL EXPENDITURES

Historical capital expenditures

During the Track Record Period, our capital expenditures mainly comprised purchases of property, plant and equipment of approximately HK\$3.9 million, HK\$8.5 million, HK\$10.9 million and HK\$7.3 million for the years ended 31 March 2015, 2016 and 2017 and five months ended 31 August 2017, respectively. We principally funded our capital expenditures through internal generated fund and advances from related parties.

FINANCIAL INFORMATION

Planned capital expenditures

Save for the planned capital expenditure as disclosed in “Future Plans and Use of Proceeds” and the additions of property, plant and equipment necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditures as at the Latest Practicable Date.

OPERATING LEASE COMMITMENTS

As at 31 March 2015, 2016 and 2017 and 31 August 2017, our Group had the following operating lease commitments in respect of the leased properties for our Group’s retail outlets in Hong Kong.

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	9,929	16,671	23,967	22,350
Later than one year and not later than five years	10,945	11,944	20,066	18,307
Total	20,874	28,615	44,033	40,657

CAPITAL COMMITMENTS

As at 31 March 2015, 2016 and 2017 and 31 August 2017, our Group had the following capital commitments which were primarily for renovation of our retail outlets.

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for property, plant and equipment	—	50	100	430

PROPERTY INTERESTS

As at the Latest Practicable Date, we leased 52 properties in Hong Kong as our retail outlets, warehouses and office. Please see “Business — Leased properties”. Among the properties we leased as at the Latest Practicable Date, five properties were occupied by us as warehouses and were leased from our connected persons. For details, please see “Connected Transactions — Non-exempt continuing connected transactions — 1. Leasing of properties to our Group”. As at the Latest Practicable Date, we did not own any properties in Hong Kong.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions in relation to sales of goods, lease of premises and advances from related parties, details of which are set out in note 30 to the Accountant's Report. Our Directors are of the view that these related party transactions as a whole were conducted in the ordinary course of our Group's business and generally on an arm's length basis.

Having considered that (i) we generally charged our related parties at market rates for products sold to them taking into consideration of the relevant costs and expenses we may incur and transaction arrangements with our related customers; and (ii) we paid our related parties at market rates for the properties we leased, our Directors are of the view that the aforesaid related party transactions did not distort our financial results during the Track Record Period or cause our Track Record Period results to be unreflective of our future performance.

Our Directors confirm that, save for the connected transactions in relation to (i) the Insurance Brokerage Services with Winford; (ii) the leases under the Tenancy Agreements with Best Source and Ms. Janny Tin; (iii) the Logistic Services with Bo Shing; and (iv) the sales of Taiwanese Products to New Odaiba, the other connected transactions and/or related party transactions were ceased as at the Latest Practicable Date. Please see "Connected Transactions" for details.

OFF-BALANCE SHEET TRANSACTIONS

Our Directors confirm that our Group had not entered into any material off-balance sheet transactions or arrangements during the Track Record Period.

ANALYSIS OF KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at the date or for the periods indicated:

		Year ended 31 March			Five months ended 31 August
		2015	2016	2017	2017
Net profit margin before interest and tax (%)	(Note 1)	7.3	8.8	9.6	5.8
Net profit margin (%)	(Note 2)	4.8	6.6	7.4	3.7
Return on equity (%)	(Note 3 and 10)	35.5	42.4	46.7	N/A
Return on total assets (%)	(Note 4 and 10)	12.8	15.1	17.0	N/A
Interest coverage (times)	(Note 5)	14.8	26.0	25.3	17.5

FINANCIAL INFORMATION

		As at 31 March			As at 31 August
		2015	2016	2017	2017
		Current ratio (times)	<i>(Note 6)</i>	1.4	1.3
Quick ratio (times)	<i>(Note 7)</i>	1.1	1.1	1.1	1.0
Gearing ratio (%)	<i>(Note 8)</i>	112.1	111.3	119.0	109.8
Debt-to-equity ratio (%)	<i>(Note 9)</i>	83.4	53.4	59.8	63.8

Notes:

1. Net profit margin before interest and tax is calculated based on the net profit netting off the interest and tax expense for the financial year/period divided by total revenue for the financial year/period multiplied by 100%.
2. Net profit margin is calculated based on the net profit attributable to owners of the Company for the financial year/period divided by total revenue for the financial year/period and multiplied by 100%.
3. Return on equity is calculated based on the net profit attributable to owners of the Company for the financial year divided by equity attributable to owners of the Company at the end of the financial year/period and multiplied by 100%.
4. Return on total assets is calculated based on the net profit attributable to owners of the Company for the financial year divided by total assets at the end of the financial year and multiplied by 100%.
5. Interest coverage is calculated based on the profit before interest and tax for the financial year/period divided by interest expenses for the financial year/period.
6. Current ratio is calculated based on the total current assets at the end of the financial year/period divided by the total current liabilities at the end of the financial year/period.
7. Quick ratio is calculated based on the total current assets (excluding inventories) at the end of the financial year/period divided by the total current liabilities at the end of the financial year/period.
8. Gearing ratio is calculated based on total debt at the end of the financial year/period divided by total equity at the end of the financial year/period and multiplied by 100%. Debt of our Group refers to bank borrowings, obligation under hire purchase contracts and amounts due to related parties.
9. Debt-to-equity ratio is calculated based on net debt at the end of the financial year/period divided by total equity at the end of the financial year/period and multiplied by 100%. Net debt is defined to include bank borrowings, obligation under hire purchase contracts and amounts due to related parties net of cash and cash equivalents and restricted cash.
10. Return on equity and return on total assets for the five months ended 31 August 2017 were not comparable to those for the years ended 31 March 2015, 2016 and 2017.

FINANCIAL INFORMATION

Net profit margin before interest and tax and net profit margin

Our Group recorded net profit margin before interest and tax of approximately 7.3%, 8.8%, 9.6% and 5.8% for the years ended 31 March 2015, 2016 and 2017 and for the five months ended 31 August 2017, respectively. The increase of our net profit margin before interest and tax during the three years ended 31 March 2017 was mainly attributable to the growth of our revenue during such period. Our net profit margin before interest and tax for the five months ended 31 August 2017 was lower than that for the year ended 31 March 2017, which was mainly due to the recognition of Listing expenses during the five months ended 31 August 2017. If the Listing expenses were excluded, we would record a net profit margin before interest and tax of approximately 9.4% for such period.

Our net profit margin was approximately 4.8%, 6.6%, 7.4% and 3.7% for the years ended 31 March 2015, 2016 and 2017 and for the five months ended 31 August 2017, respectively, the fluctuation of which was generally in line with the movement of our net profit margin before interest and tax. If the Listing expenses were excluded, we would record a net profit margin of approximately 7.3% for the five months ended 31 August 2017.

Return on equity

Our Group had return on equity of approximately 35.5%, 42.4% and 46.7% for the years ended 31 March 2015, 2016 and 2017, respectively. The increase in our return on equity was generally in line with the increase in our net profit during such period.

Return on total assets

Our Group had return on total assets of approximately 12.8%, 15.1% and 17.0% for the years ended 31 March 2015, 2016 and 2017, respectively. The increase in our return on total assets was generally in line with the increase in our net profit during such period.

Interest coverage

Our Group had interest coverage of approximately 14.8 times, 26.0 times, 25.3 times and 17.5 times for the years ended 31 March 2015, 2016 and 2017 and for the five months ended 31 August 2017, respectively. The increase in our interest coverage from the year ended 31 March 2015 to 31 March 2016 was mainly due to the combined effect of increase in revenue and decrease in finance costs. Such decrease in finance costs was mainly due to the less utilisation of our bank borrowings to settle the purchase price from our suppliers. The decrease in our interest coverage from the year ended 31 March 2017 to 31 August 2017 was mainly due to the increase in finance costs, which was mainly due to the increased utilisation of our bank borrowings to settle (i) the purchase price from our suppliers; and (ii) the Listing fees.

Current ratio and quick ratio

Our Group had current ratio of approximately 1.4 times, 1.3 times, 1.3 times and 1.2 times as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively. Our current ratio remained stable during the Track Record Period.

FINANCIAL INFORMATION

Our Group had quick ratio of approximately 1.1 times, 1.1 times, 1.1 times and 1.0 times as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively. Our quick ratio remained stable during the Track Record Period.

Gearing ratio

Gearing ratio of our Group was approximately 112.1%, 111.3%, 119.0%, and 109.8% as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively. Our gearing ratio remained relatively stable during the Track Record Period.

Debt-to-equity ratio

Our debt-to-equity ratio was approximately 83.4%, 53.4%, 59.8% and 63.8% as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively. The decrease in our debt-to-equity ratio from 31 March 2015 to 31 March 2016 was mainly due to the increase in cash and cash equivalents received and remained on hand mainly due to the substantial increase in our revenue for the year ended 31 March 2016 as compared to the previous year. The increase in our debt-to-equity ratio from 31 March 2016 to 31 March 2017 and subsequently to 31 August 2017 was mainly due to the increase in bank borrowings utilised as our working capital and decrease in cash and cash equivalents mainly attributable to settlement of Listing expenses.

SENSITIVITY AND BREAKEVEN ANALYSIS

Sensitivity analysis

Operating costs

During the Track Record Period, our largest operating cost components included (i) cost of inventories sold; (ii) rental expenses relating to our retail outlets, warehouses and head office; and (iii) staff costs. These three largest operating cost components amounted to approximately HK\$224.3 million, HK\$226.9 million, HK\$278.8 million and HK\$126.8 million for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, representing approximately 79.4%, 75.7%, 75.8% and 74.7% of our revenue of approximately HK\$282.6 million, HK\$299.8 million, HK\$368.0 million and HK\$169.7 million for the same year/period, respectively. Any material fluctuation in these operating cost components may affect the results of our operations.

The following table sets forth the sensitivity analysis on our major operating cost components, namely cost of inventories sold, rental expenses relating to our retail outlets, warehouses and office, and staff costs, based on the hypothetical fluctuations of 5% and 10%, respectively, and their effects on our Group's profit before income tax for each of the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 with all other variables held constant.

FINANCIAL INFORMATION

	Increase/ (decrease) in percentage	Year ended 31 March			Five months ended 31 August
		2015	2016	2017	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories sold	5%	(9,313)	(8,529)	(10,018)	(4,235)
	(5)%	9,313	8,529	10,018	4,235
	10%	(18,626)	(17,058)	(20,036)	(8,471)
	(10)%	18,626	17,058	20,036	8,471
Rental expenses relating to our retail outlets, warehouses and office	5%	(684)	(1,105)	(1,583)	(871)
	(5)%	684	1,105	1,583	871
	10%	(1,368)	(2,211)	(3,165)	(1,743)
	(10)%	1,368	2,211	3,165	1,743
Staff costs	5%	(1,217)	(1,709)	(2,339)	(1,233)
	(5)%	1,217	1,709	2,339	1,233
	10%	(2,434)	(3,417)	(4,677)	(2,466)
	(10)%	2,434	3,417	4,677	2,466

Foreign exchange rates

During the Track Record Period, the settlement currency for the goods we purchased were mainly denominated in JPY, TWD, USD and HK\$. The following table sets forth the breakdown of purchase amount of our Group by currency during the Track Record Period:

	Year ended 31 March						Five months ended 31 August 2017	
	2015		2016		2017		Purchase amount	% of total purchase
	Purchase amount	% of total purchase	Purchase amount	% of total purchase	Purchase amount	% of total purchase		
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
JPY	60,111	32.6%	59,517	35.0%	82,662	41.0%	34,420	38.7%
TWD	49,154	26.6%	41,189	24.2%	47,645	23.6%	27,215	30.6%
USD	38,247	20.7%	36,154	21.2%	38,285	19.0%	16,191	18.2%
HK\$	25,399	13.8%	24,240	14.2%	26,728	13.3%	9,863	11.1%
Others (Note)	11,673	6.3%	9,084	5.4%	6,390	3.1%	1,207	1.4%
Total	184,584	100.0%	170,184	100.0%	201,710	100.0%	88,896	100.0%

Note: Others mainly include Renminbi and Euro.

FINANCIAL INFORMATION

The following table sets forth the sensitivity analysis on fluctuation of JPY and TWD against HK\$ during the Track Record Period, based on the hypothetical fluctuations of 9.7% and 5.1% of JPY and TWD, respectively, being the fluctuation of average daily exchange rate of JPY and TWD against HK\$ during the Track Record Period, and their effects on our Group's net income before tax during the corresponding year/period, assuming the proportion of cost of inventories sold which were purchased from overseas suppliers and settled by foreign currencies was the same as that for our total purchase, and with all other variables held constant.

	Increase/ (decrease) in percentage	Year ended 31 March			Five months ended 31 August
		2015	2016	2017	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
JPY against HK\$	9.7%	5,884	5,787	7,964	3,181
	(9.7)%	(5,884)	(5,787)	(7,964)	(3,181)
TWD against HK\$	5.1%	2,560	2,078	2,406	1,323
	(5.1)%	(2,560)	(2,078)	(2,406)	(1,323)

Because a number of assumptions have been applied, the above sensitivity analysis is for illustrative purposes only.

Breakeven analysis

For the year ended 31 March 2015, it is estimated that, holding all other variables constant, with an increase in (i) cost of inventories sold by approximately 10.4%; (ii) rental expenses relating to our retail outlets, warehouses and offices by approximately 141.3%; or (iii) staff costs by approximately 79.4%, our Group would record breakeven in profit before income tax.

For the year ended 31 March 2016, it is estimated that, holding all other variables constant, with an increase in (i) cost of inventories and raw materials by approximately 14.8%; (ii) rental expenses relating to our retail outlets, warehouses and offices by approximately 114.4%; or (iii) staff costs by approximately 74.0%, our Group would record breakeven in profit before income tax.

For the year ended 31 March 2017, it is estimated that, holding all other variables constant, with an increase in (i) cost of inventories and raw materials by approximately 16.9%; (ii) rental expenses relating to our retail outlets, warehouses and offices by approximately 106.8%; or (iii) staff costs by approximately 72.2%, our Group would record breakeven in profit before income tax.

For the five months ended 31 August 2017, it is estimated that, holding all other variables constant, with an increase in (i) cost of inventories and raw materials by approximately 10.9%; (ii) rental expenses relating to our retail outlets, warehouses and offices by approximately 53.0%; or (iii) staff costs by approximately 37.5%, our Group would record breakeven in profit before income tax.

FINANCIAL INFORMATION

FINANCIAL RISK MANAGEMENT

The major financial risks arising from our Group's normal course of business include foreign exchange risk, interest rate risk, price risk, credit risk and liquidity risk. For details, please see note 3 to the Accountant's Report.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined net tangible assets per Share as if the Share Offer had taken place on 31 August 2017 would be approximately HK\$0.31 (assuming an Offer Price of HK\$0.8 per Offer Share) and approximately HK\$0.36 (assuming an Offer Price of HK\$1.0 per Offer Share), respectively.

Prospective investors should note that, after taking into consideration a dividend of HK\$15.0 million declared and to be paid by our Company as disclosed in "— Dividend", the unaudited pro forma adjusted combined net tangible assets per Share would be approximately HK\$0.27 (assuming an Offer Price of HK\$0.8 per Offer Share) and approximately HK\$0.32 (assuming an Offer Price of HK\$1.0 per Offer Share), respectively.

Please see "Unaudited Pro Forma Financial Information" set out in Appendix II to this prospectus for details.

DIVIDEND

Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. The declaration of future dividends will be subject to our Directors' decision and will depend on our earnings, financial condition, cash requirements and availability, and any other factors our Directors may consider relevant. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. The amount of dividend will be determined upon the completion of financial audit and will be referred to distributable profit shown on audited financial report. As these factors and the payment of dividends is at the discretion of our Board, which reserves the right to change its plan on the payment of dividends, there is no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future. Currently, we do not have any predetermined dividend distribution ratio.

For the years ended 31 March 2015, 2016 and 2017, dividend of approximately HK\$11.0 million, HK\$13.1 million and HK\$17.0 million, respectively, were declared and paid by the companies now comprising our Group to the then owners of the companies. On 14 February 2018, our Directors declared a special dividend of HK\$15.0 million to our current Substantial Shareholders, which will be settled prior to Listing. Such special dividend will be partially settled by way of the novation of five out of eight of the key management life insurance contracts we held using their cash surrender value as at 31 December 2017 of approximately HK\$10.8 million and the remaining portion of approximately HK\$4.2 million to be settled by cash.

FINANCIAL INFORMATION

Our Directors consider that the retained earnings of our Group accumulated over the past years are attributable to the considerable support of our existing Shareholders, being our executive Directors on the development of our Group. Therefore, our Directors consider it fair and commercially rational and justifiable to reward our existing Shareholders through distribution. The distribution of dividend by no means undermine the existing Shareholders' long-term commitment to our Group and there is no contradiction between rewarding our existing Shareholders for their prior years' commitment through the distribution and raising funds through the Share Offer for enlarging shareholder base and future business expansion. Our Directors confirm that our Group had sufficient resources to make the distribution of the dividend of HK\$15.0 million and that it would not have any material adverse impact on our Group's financial position.

DISTRIBUTABLE RESERVES

Under the Companies Law, we may pay dividends out of our profit or our share premium account in accordance with the provisions of our Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, we remain able to pay our debts as and when they fall due in the ordinary course of business. Our Company was incorporated on 21 August 2017 and there was no distributable reserve as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

POST BALANCE SHEET EVENTS

Please see "Summary — Recent developments" and note 32 to the Accountant's Report.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Please see "Summary — Recent developments" for details.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business — Our strategies” for a detailed description of our future plans.

REASONS FOR THE LISTING AND THE SHARE OFFER

Our Directors believe that the listing of the Shares on the Stock Exchange will enhance our Group’s profile and the net proceeds from the Share Offer will strengthen our financial position and will enable our Group to implement our business strategies set out in “Business — Our strategies” and to capture the anticipated growth of the food and beverage distribution and retail markets.

Commercial rationale for the Listing

The reasons of the Listing are set out herein below:

(i) Strengthening our Group’s corporate profile, credibility and competitiveness

A public listing status on the Stock Exchange can strengthen our Group’s reputation, credibility and competitiveness to facilitate the enhancement of product sourcing capability from the globe. The increased level of information transparency after Listing would also give our existing and prospective suppliers and customers the public access to our Group’s corporate and financial information, which could generate further confidence in our Group among them. The status of being a listed company in the Stock Exchange in Hong Kong would also raise our Group’s reputation amongst our competitors, in particular to the overseas potential suppliers and brand owners, which would help implement our business strategies and expand our brand and product portfolio. Our Directors are of the view that the Listing will increase our bargaining power in negotiating transaction terms with customers and suppliers. Our internal control and corporate governance practice will also be enhanced following the Listing. All of the above will strengthen our competitiveness, expand our market share and benefit our business performance and growth.

(ii) Diversification of shareholder base and enhance liquidity in trading of Shares

Our Directors take the view that the Listing will enhance the liquidity of the Shares which will be freely traded in the Stock Exchange when compared to the limited liquidity of shares that are privately held before the Listing. Hence, our Directors consider that the Listing will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares. Our Company will be able to diversify the risk of ownership among a larger group of Shareholders, which is important as we continue to expand our business.

(iii) Improving our financial structure

We have historically been relying on internally generated funds, bank loans and advances from related parties to support our operations and business development. Based on our unaudited management accounts, as at 31 December 2017, our outstanding bank borrowings balance and amounts due to related parties were approximately HK\$76.2 million and HK\$17.0 million, respectively. For the three years ended 31 March 2015, 2016 and 2017 and the five months ended

FUTURE PLANS AND USE OF PROCEEDS

31 August 2017, our finance costs amounted to approximately HK\$1.4 million, HK\$1.0 million, HK\$1.4 million and HK\$0.6 million, respectively. In addition, all the banking facilities obtained by the Group during the Track Record Period were all short-term bank borrowings mainly including trade financing facilities/import loans, revolving loans or short-term loans with repayable on demand clause, which gave the right to the banks to recall our bank borrowings anytime, and hence, impose a risk to our Group's financial and liquidity position.

Moreover, the banking facilities also require cash deposit or pledge of our assets and guarantees by our Substantial Shareholders and/or related parties. For instance, the HK\$30.0 million term-loan obtained by our Group in October 2017 requires a pledged deposit of HK\$15.0 million, representing 50.0% of the loan amount. In addition, the short-term bank borrowings we obtained during the Track Record Period also required personal guarantee(s) from our Substantial Shareholders, which created significant financial burden on our Substantial Shareholders and any reliance on the financial strength of our Shareholders would substantially hinder the development and expansion of our business. Our Directors are of the view that no healthy, sizeable and established corporation should rely heavily on the financial resources of its shareholders to fund its operations and development plans. Our Directors considered our current funding structure is not suitable for providing long-term financial support for our business expansion and intend to reduce our reliance on bank borrowings and advances from related parties. Therefore, our Directors consider there is a genuine need to pursue the Listing in order to have better funding platforms for future fundraising for business development in the long run and to raise funds through the Share Offer to finance our Group's expansion plan.

Our capital requirements and reasons for the Share Offer

We had cash and cash equivalents of approximately HK\$24.9 million as at 31 December 2017 as compared to the estimated net proceeds from the Share Offer of approximately HK\$62.8 million (based on the mid-point of the indicative Offer Price range). Our Directors intended to maintain our existing cash on hand to support the working capital requirements of our daily operation, while the net proceeds from the Share Offer will help finance our development plans.

Our cash level of approximately HK\$24.9 million and amounts of unutilised banking facilities of approximately HK\$55.5 million as at 31 December 2017 are only sufficient for our Group's current scale of operation, considering that (i) we had trade and other payables of approximately HK\$31.8 million as at 31 December 2017; (ii) our historical cost of sales, selling and distribution expenses and administrative expenses amounted to approximately HK\$332.0 million in aggregate for the year ended 31 March 2017, which translates into a theoretical monthly cost of approximately HK\$27.7 million per month; (iii) the settlement of the amounts due to related parties of approximately HK\$17.0 million as at 31 December 2017 in full before February 2018; (iv) an aggregate amount of approximately HK\$22.5 million will be provided and maintained as restricted cash deposit at all times upon and after Listing in relation to the release of (a) the Substantial Shareholders' personal guarantees and (b) cross guarantees from our Group's related companies from our two existing banking facilities, which amount to approximately HK\$91.2 million in aggregate as at 31 December 2017; and (v) the partial settlement of the special dividend in cash of approximately HK\$4.2 million before Listing, details of which are set out in "Financial Information — Dividend".

FUTURE PLANS AND USE OF PROCEEDS

Our Directors consider it necessary to maintain sufficient working capital as we generally rely on cash inflow from our customers to meet our payment obligations to our suppliers from time to time and there is a mismatch in the cash inflow from customers and cash outflow to our suppliers. Our cash inflow is dependent on prompt settlement of our sales by our customers. Our trade receivable turnover days for each year/period during the Track Record Period were approximately 87.1 days, 88.0 days, 87.3 days and 103.5 days, respectively, which were considerably longer than our trade payable turnover days during the corresponding years/periods, being approximately 12.3 days, 13.1 days, 11.7 days and 9.7 days, respectively. Our Directors confirmed that this is a market norm. Accordingly, our Directors consider it is necessary to carefully manage our cash resources and to maintain our existing cash on hand to support the working capital requirements of our daily operation.

Furthermore, it is also expected that with the help of the Listing, our Group's corporate image and reputation will be enhanced, in turn we will be able to attract more sales, and as a result, increasing our working capital requirements on the relevant additional costs of sales. As part of our strategy to expand our retail outlets coverage in Hong Kong and the product/brand portfolio of both our Retail Business and Distribution Business, we expect that our operating cost will increase along with the enlarged scale of operation; therefore, our working capital requirement will accordingly increase as well. Having considered the aforesaid cash outflow requirements, and our Group's cash and cash equivalents balance as at 31 December 2017 and unutilised banking facilities as at 31 December 2017, our Directors consider it is necessary to carefully manage our cash resources and to maintain our existing cash on hand to support the working capital requirements of our daily operation, while the net proceeds from the Share Offer will be used to fund our development plans.

In summary, the Listing will help strengthen the competitiveness of our Group, offer us more flexibility to finance our operation so as to allow us to respond to business opportunities expeditiously and differentiating us from our competitors, so as to be in a better position to seize business opportunities and secure our market position in the food and beverage distribution and retail markets. Therefore, our Directors consider that it is strategically and commercially justifiable to pursue the Listing and the Share Offer.



USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer, and assuming an Offer Price of HK\$0.90 per share, being the mid-point of the indicative Offer Price range) will be approximately HK\$62.8 million. We currently intend to apply such net proceeds in the following manner:

- (i) approximately 65.6%, or HK\$41.2 million will be used for the opening of new retail outlets including:
 - approximately HK\$11.6 million for opening around eight new retail outlets under the brand of “TenRen (天仁茗茶)” 天仁茗茶  for each of the years ending 31 March 2019 and 2020, respectively, of which approximately HK\$6.4 million will be used for renovation of new retail outlets; approximately HK\$1.6 million for acquisition of equipment; approximately HK\$2.4 million for payment of rental

FUTURE PLANS AND USE OF PROCEEDS

deposit; approximately HK\$0.8 million for purchase of inventory; and approximately HK\$0.4 million for payment of miscellaneous expense for each of the years ending 31 March 2019 and 2020, respectively;

- approximately HK\$7.9 million for opening around five new retail outlets under the brand of “Jiu Tang Wu (九湯屋)”  for each of the years ending 31 March 2019 and 2020, respectively, of which approximately HK\$4.3 million will be used for renovation of new retail outlets; approximately HK\$0.6 million for acquisition of equipment; approximately HK\$1.5 million for payment of rental deposit; approximately HK\$1.0 million for purchase of inventory; and approximately HK\$0.5 million for payment of miscellaneous expense for each of the years ending 31 March 2019 and 2020, respectively;
 - approximately HK\$1.1 million for opening around one new retail outlet under the brand of “Uncle Tetsu (徹思叔叔)”  for each of the years ending 31 March 2019 and 2020, respectively, of which approximately HK\$0.6 million will be used for renovation of new retail outlets; approximately HK\$0.1 million for acquisition of equipment; approximately HK\$0.3 million for payment of rental deposit; approximately HK\$60,000 for purchase of inventory; and approximately HK\$40,000 for payment of miscellaneous expense for each of the years ending 31 March 2019 and 2020, respectively;
- (ii) approximately 17.2%, or HK\$10.8 million will be used to lease and set up two warehouse facilities with a gross floor area of approximately 20,000 sq.ft. and 10,000 sq.ft. for the two years ending 31 March 2019 and 2020, respectively, of which approximately HK\$3.2 million and HK\$4.2 million will be used for rental payment and deposit; and approximately HK\$2.3 million and approximately HK\$1.1 million for renovation of the warehouse facilities for the two years ending 31 March 2019 and 2020, respectively;
- (iii) approximately 5.1%, or HK\$3.2 million will be used to upgrade our ERP system for the two years ending 31 March 2019 and 2020, respectively, of which approximately HK\$1.4 million will be used for instalment fee for the year ending 31 March 2019; and approximately HK\$0.9 million for the annual fee for each of the years ending 31 March 2019 and 2020, respectively;
- (iv) approximately 3.5%, or HK\$2.2 million will be used for expansion of the sales and marketing team of the Distribution Business, by recruiting three additional marketing sales personnel in order to cope with the growth of the scale of operation for the two years ending 31 March 2019 and 2020; and
- (v) approximately 8.6%, or HK\$5.4 million will be used for general working capital purposes.

No agreements or undertakings have been signed in relation to the different uses of proceeds from the Share Offer.

FUTURE PLANS AND USE OF PROCEEDS

The above allocation of the net proceeds from the Share Offer will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher level or a lower level compared to the midpoint of the indicative Offer Price range. If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds to be received by us from the Share Offer will increase or decrease by approximately HK\$9.6 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Offer Price is determined at the highest or lowest of the indicative Offer Price range.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licenced banks and authorised financial institutions in Hong Kong for so long as it is in our best interests. We will also disclose the same in the relevant annual report.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Sole Global Coordinator

Lego Securities Limited

Joint Bookrunners

Lego Securities Limited

Kingsway Financial Services Group Limited

Joint Lead Managers

Kingsway Financial Services Group Limited

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

Brilliant Norton Securities Company Limited

Co-Managers

Canfield Securities Company Limited

Future Land Resources Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to initially offer 10,000,000 new Shares for subscription by members of 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 approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Global Coordinator, at its sole and absolute discretion, may, for itself and on behalf of the other Public Offer Underwriters, upon giving notice in writing to our Company, terminate the Public Offer Underwriting Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sole Global Coordinator:
 - (i) that any statement contained in any Offer Documents as referred to in the Public Offer Underwriting Agreement (the “**Offer Documents**”) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Share Offer (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”) was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or
 - (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (in each case, other than on the part of any of Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Substantial Shareholders and executive Directors under the Public Offer Underwriting Agreement or under the Placing Underwriting Agreement; or
 - (v) any change or development involving a prospective material adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group; or
 - (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties given by our Substantial Shareholders or executive Directors under the Public Offer Underwriting Agreement; or

UNDERWRITING

- (vii) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (viii) our Company withdraws any of the Relevant Documents or the Share Offer; or
 - (ix) any person (other than the Public Offer 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
 - (x) that 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
 - (xi) an authority or a political body or organization in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of our Directors and senior management members of our Group; or
 - (xii) a portion of the orders in the bookbuilding process, which is considered by the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) in its absolute opinion to be material, at the time the Placing Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Sole Global Coordinator, in its sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Share Offer; or
 - (xiii) any loss or damage has been sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) in its sole absolute opinion to be material; or
- (b) there shall develop, occur, exist, or come into effect:
- (i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any 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 local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases,

UNDERWRITING

pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), influenza B, Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or

- (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or
- (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq Global Market, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or
- (iv) any new Laws, or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, Japan, Taiwan, Malaysia, the Cayman Islands, the BVI (or any member thereof) or any other jurisdictions relevant to any member of our Group or the Share Offer (the “**Specific Jurisdictions**”); or
- (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or
- (viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in “Risk Factors”; or

UNDERWRITING

- (ix) any litigation or claim of any third party being threatened or instigated against any member of our Group or any of the Warrantors; or
- (x) any of our Directors and senior management members of our Company 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
- (xi) the chairman or chief executive officer of our Company vacating his or her office; or
- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against our 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
- (xiii) a contravention by any member of our Group or any of our Directors of the Listing Rules, the Companies Ordinance or any other laws applicable to the Share Offer; or
- (xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares pursuant to the terms of the Share Offer; or
- (xv) non-compliance of the Prospectus and the other Relevant Documents or any aspect of the Share Offer with the Listing Rules or any other laws applicable to the Share Offer; or
- (xvi) the issue or requirement to issue by our Company of a supplement or amendment to the prospectus and/or any other documents in connection with the Share Offer pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvii) 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,

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 Public Offer Underwriters):

- (i) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, 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 of our Company in his, her or its capacity as such; or

UNDERWRITING

- (ii) has or will or may have or could be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (iii) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Public Offer Underwriting Agreement or the Share Offer to be performed or implemented or proceeded with as envisaged or to market the Share Offer or shall otherwise result in an interruption to or delay thereof; or
- (iv) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

Indemnity

Our Company, our Substantial Shareholders and our executive Directors, have agreed to indemnify the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

Lock-up undertakings to the Public Offer Underwriters

Undertakings by our Company

Our Company has undertaken with the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) that, and each of our executive Directors and Substantial Shareholders has undertaken irrevocably and unconditionally with the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) to procure that, except pursuant to the Share Offer, the Capitalisation Issue, and the exercise of any options granted or to be granted under the Share Option Scheme, during the period commencing on the date of this Agreement and ending on, and including, the date that is twelve months after the Listing Date (the “**Twelve-Month Period**”), our Company will not, and will procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any

UNDERWRITING

Shares or any shares of such other member of our Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depository in connection with the issue of depository receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable; 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 any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transactions specified in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the Twelve-Month Period).

Undertakings by our Substantial Shareholders

Each of our Substantial Shareholders has jointly and severally undertaken to our Company, the Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) that, without the prior written consent of the Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters):

- (a) at any time during the Twelve-Month Period, it/he/she shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/he/she (together, the “**Controlled Entities**”) shall not:
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him/her

UNDERWRITING

directly or indirectly through its Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depository in connection with the issue of depository receipts; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or
 - (iii) enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
 - (iv) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above, which any of the foregoing transactions referred to in paragraphs (i), (ii) or (iii) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the Twelve-Month Period); and
- (b) in the event that it/he/she enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction within the Twelve-Month Period, it/he/she shall take all reasonable steps to ensure that it/he/she will not create a disorderly or false market for any Shares or other securities of our Company; and
- (c) it/he/she shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/he/she or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Lock-up undertakings to the Stock Exchange

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange not to (i) issue further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or (ii) cause further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) to form the subject of any agreement to such that an issue within six months from the Listing Date (the “**Six-Month Period**”) (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except in certain circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

Undertakings by our Substantial Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Substantial Shareholders have undertaken to the Stock Exchange and our Company respectively that, save as permitted under the Listing Rules, he/it shall not, and shall procure that the relevant registered holder(s) shall not,

UNDERWRITING

within the Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the shares of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner(s).

Our Substantial Shareholders have further undertaken to the Stock Exchange and our Company respectively that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, he/it will:

- (a) when he/it pledges/charges any securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge/charge together with the number of securities of our Company so pledged/charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged securities will be disposed of, immediately inform our Company of such indications.

Placing

In connection with the Placing, it is expected that our Company and the covenantors to be named therein (namely our Substantial Shareholders and the executive Directors) will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Sole Global Coordinator and the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to act as agents of our Company to procure subscribers for the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Substantial Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in “— Underwriting arrangements and expenses — Public Offer — Lock-up undertakings to the Public Offer Underwriters”.

Commission and expenses

The Public Offer Underwriters will receive a commission of 4.5% of the aggregate Offer Price payable for the Public Offer Shares underwritten by them, out of which they will pay any sub-underwriting commissions. The Public Offer Underwriters will not receive any underwriting commission regarding any Offer Shares re-allocated from the Placing to the Public Offer or re-allocated from the Public Offer to the Placing.

UNDERWRITING

The underwriting commission, documentation and advisory fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$27.2 million in total based on an Offer Price of HK\$0.9 (being the mid-point of the indicative Offer Price range) and 100,000,000 Offer Shares, and are payable by our Company.

SOLE SPONSOR’S, SOLE GLOBAL COORDINATOR’S AND UNDERWRITERS’ INTEREST IN OUR COMPANY

The Sole Sponsor will receive a sponsorship and documentation fee. The Sole Global Coordinator and the other Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under “— Underwriting arrangements and expenses — Commission and expenses”.

We have appointed Lego Corporate Finance Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the 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 the despatch of our annual report for the first full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sole Sponsor, the Sole Global Coordinator and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members nor any interest in the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE STRUCTURE OF THE SHARE OFFER

The Share Offer consists of the Public Offer and the Placing.

Lego Securities Limited is the Sole Global Coordinator to the Share Offer.

An aggregate of 10,000,000 Shares have been initially allocated to the Public Offer for subscription, subject to re-allocation as mentioned below and under the Listing Rules. An aggregate of 90,000,000 Shares are initially offered under the Placing for subscription, subject to re-allocation as mentioned below and under the Listing Rules.

Investors may apply for Public Offer Shares under the Public Offer or apply for or indicate an interest for Placing Shares under the Placing, but may not do both. Our Directors and the Sole Global Coordinator will take all reasonable steps to identify any multiple applications under the Public Offer and the Placing which are not allowed and are bound to be rejected. References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

PRICING AND ALLOCATION

The Offer Price will not be more than HK\$1.00 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 Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Applicants for the Public Offer Shares will be required to pay the maximum indicative Offer Price of HK\$1.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$4,040.31 for each board lot of 4,000 Shares. If the final Offer Price is less than the maximum indicative Offer Price, arrangements will be made to refund any excess amount to the applicants, without interest.

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around the Price Determination Date.

If, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, the Sole Global Coordinator (for itself and on behalf of the Underwriters) considers it appropriate, the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.bandshk.com notice of the reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set forth in this prospectus and any other financial information which may change as a result of such reduction.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

The final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Tuesday, 13 March 2018 through a variety of channels as described in “How to Apply for Public Offer Shares — 10. Publication of results” in this prospectus.

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 around Tuesday, 6 March 2018, and in any event no later than Tuesday, 13 March 2018.

If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Tuesday, 13 March 2018, the Share Offer will not proceed and will lapse.

CONDITIONS OF THE SHARE OFFER

Acceptance of applications for the Public Offer Shares will be conditional upon:

- (i) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue, any Shares to be issued pursuant to the Share Offer and the Capitalisation Issue, and any Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the agreement on the final Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company being entered into on the Price Determination Date; and
- (iii) the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms and conditions of the respective agreements,

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

in each case, on or before the dates and times specified in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus.

If any of the above conditions has not been fulfilled or waived prior to the times and date(s) specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Share Offer will be caused to be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.bandshk.com the next day following such lapse. In such event, all application monies will be refunded, **without interest**. The terms on which the application monies will be refunded are set forth under "Refund of your money" on the Application Forms. In the meantime, all application monies received from the Public Offer will be held in a separate bank account (or separate bank accounts) with the receiving banker or other licenced bank(s) in Hong Kong.

THE PUBLIC OFFER

We are initially offering 10,000,000 Shares under the Public Offer, at the Offer Price, representing 10% of the total number of the Offer Shares being offered in the Share Offer, for subscription by way of public offer in Hong Kong, subject to the re-allocation as mentioned below and under the Listing Rules. The Public Offer is managed by the Sole Global Coordinator and is fully underwritten by the Public Offer Underwriters (subject to the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company agreeing to the final Offer Price). Applicants for the Public Offer Shares are required to pay on application the maximum indicative Offer Price of HK\$1.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Public Offer is open to all members of the public in Hong Kong. An applicant for the Public Offer Shares will be required to give an undertaking and confirmation in the Application Form that he has not taken up and will not indicate an interest to take up any Placing Shares nor has otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected. The Public Offer will be subject to the conditions stated above under "— Conditions of the Share Offer".

If the Public Offer is not fully subscribed for, the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) has the authority to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing, in such number as it deems appropriate to satisfy demand under the Placing. If the Placing is not fully subscribed, the Sole Global Coordinator (for itself and on behalf of the Underwriters) has the authority to re-allocate all or any of the unsubscribed Placing Shares originally included in the Placing to the Public Offer.

The total number of the Public Offer Shares to be allotted and issued may change as a result of the re-allocation as mentioned below.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Basis of allocation of the Public Offer Shares

When there is over-subscription, allocation of the Public Offer Shares to applicants under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 100% of Public Offer Shares initially available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

THE PLACING

We are initially offering 90,000,000 Shares at the Offer Price, representing 90% of the total number of the Offer Shares being offered in the Share Offer, for subscription by way of the Placing, subject to re-allocation as mentioned below and under the Listing Rules. Investors subscribing for the Placing Shares are also required to pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. It is expected that the Placing Underwriters or any selling agents which they nominate will, on behalf of our Company, conditionally place the Placing Shares at the Offer Price with selected professional, institutional and other investors.

All decisions concerning the allocation of the Placing Shares to prospective placees pursuant to the Placing will be made on the basis of, and by reference to, a number of factors including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is expected or likely to purchase further Shares, or hold or sell our Shares, after the Listing Date. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base for the benefit of our Company. In addition, our Company and the Sole Global Coordinator will use their best endeavours to observe the minimum public float requirement under the Listing Rules when making allocations of the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares.

The total number of the Placing Shares to be allotted and issued may change as a result of re-allocation mentioned below and/or any re-allocation of the unsubscribed Public Offer Shares to the Placing as mentioned above under "— The Public Offer".

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

RE-ALLOCATION BETWEEN THE PLACING AND THE PUBLIC OFFER

The allocation of Offer Shares between the Public Offer and the Placing is subject to re-allocation on the following basis:

- (a) In the event that the Placing Shares are fully subscribed or oversubscribed under the Placing:
 - (i) if the Public Offer Shares are undersubscribed, the Sole Global Coordinator, at its sole and absolute discretion, may reallocate all or any of the unsubscribed Public Offer Shares from the Public Offer to the Placing;
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed and the number of Shares validly applied for under the Public Offer represents less than 15 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase up to 20,000,000 Shares, representing 20% of the total number of the Offer Shares available under the Share Offer to cover the excess demand;
 - (iii) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 30,000,000 Shares, representing 30% of the total number of the Offer Shares available under the Share Offer;
 - (iv) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 40,000,000 Shares, representing 40% of total number of the Offer Shares available under the Share Offer; and
 - (v) if the number of Shares validly applied for under the Public Offer represents 100 times or more the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 50,000,000 Shares, representing 50% of the total number of the Offer Shares available under the Share Offer.
- (b) In the event that the Placing Shares are undersubscribed under the Placing:
 - (i) if the Public Offer Shares are undersubscribed, the Share Offer shall not proceed unless fully underwritten by the Underwriters; and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase up to 20,000,000 Shares, representing 20% of the total number of the Offer Shares available under the Share Offer to cover the excess demand.

In the case of paragraphs (a)(i) or (a)(ii) above or where the Placing Shares are undersubscribed, the Offer Price shall be fixed at HK\$0.8 per Offer Share (being the bottom end of the indicative Offer Price range stated in this prospectus).

Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Tuesday, 13 March 2018.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Listing Committee grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC may choose. 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.

LISTING DATE

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. on Wednesday, 14 March 2018 (Hong Kong time), it is expected that dealings in our Shares on the Main Board will commence at 9:00 a.m. on Wednesday, 14 March 2018 (Hong Kong time).

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

To apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual member's name. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person through an authorised attorney, our Company, the Sole Sponsor and the Sole Global Coordinator may accept or reject your application at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of our Shares and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- are an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for or indicate an interest in any Placing Shares under the Placing or otherwise participated in the Placing.

3. APPLYING FOR THE PUBLIC OFFER SHARES

Which application channel to use

For the Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the prospectus and the Application Forms

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Monday, 26 February 2018 until 12:00 noon on Tuesday, 6 March 2018 from:

- any of the following addresses of the Public Offer Underwriters:

Lego Securities Limited	Room 804, 8/F., Jubilee Centre, 46 Gloucester Road, Wanchai, Hong Kong
Kingsway Financial Services Group Limited	7/F, Tower 1, Lippo Centre, 89 Queensway Hong Kong
China Galaxy International Securities (Hong Kong) Co., Limited	20/F, Wing On Centre, 111 Connaught Road Central, Hong Kong
Brilliant Norton Securities Company Limited	Shop Space No.64, G/F Blocks, 7–14 City Garden, 233 Electric Road, North Point, Hong Kong (for the period from 26 February 2018 to 2 March 2018)
	Office C, 27/F, Billion Plaza 2, 10 Cheung Yue Street, Kowloon, Hong Kong (for period from 5 March 2018 to 6 March 2018)
Canfield Securities Company Limited	Suite 7707, 77/F, The Center, 99 Queen's Road Central, Central, Hong Kong
Future Land Resources Securities Limited	6/F, Winbase Centre, 208 Queen's Road Central, Central, Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- any of the following branches of Industrial and Commercial Bank of China (Asia) Limited, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong	Central Branch	1/F., 9 Queen's Road Central
	Wanchai Branch	117-123 Hennessy Road, Wanchai
	Causeway Bay Branch	Shop A on G/F, 1/F, Hennessy Apartments, 488 & 490 Hennessy Road
Kowloon	Tsim Sha Tsui Branch	Shop 1&2, G/F, No. 35-37 Hankow Road, Tsimshatsui
	Mongkok Branch	G/F, Belgian Bank Building, 721-725 Nathan Road, Mongkok
New Territories	Sha Tsui Road Branch	Shop 4, G/F Chung On Building, 297-313 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Monday, 26 February 2018 until 12:00 noon on Tuesday, 6 March 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited — B & S INTERNATIONAL Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times on the following dates:

Monday, 26 February 2018	—	9:00 a.m. to 5:00 p.m.
Tuesday, 27 February 2018	—	9:00 a.m. to 5:00 p.m.
Wednesday, 28 February 2018	—	9:00 a.m. to 5:00 p.m.
Thursday, 1 March 2018	—	9:00 a.m. to 5:00 p.m.
Friday, 2 March 2018	—	9:00 a.m. to 5:00 p.m.
Saturday, 3 March 2018	—	9:00 a.m. to 1:00 p.m.
Monday, 5 March 2018	—	9:00 a.m. to 5:00 p.m.
Tuesday, 6 March 2018	—	9:00 a.m. to 12:00 noon

HOW TO APPLY FOR PUBLIC OFFER SHARES

The Application Lists will be open from 11:45 a.m. until 12:00 noon on Tuesday, 6 March 2018, the last application day or such later time as described below in “— 9. Effect of bad weather on the opening of the Application Lists”.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- (ii) agree to comply with the Companies Law, Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (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 (a) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of HKSCC Nominees on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person

HOW TO APPLY FOR PUBLIC OFFER SHARES

on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated to you under the application;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, 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 Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Forms and agree to be bound by them;

HOW TO APPLY FOR PUBLIC OFFER 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 Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, 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 our Company will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving the **electronic application instructions** to apply for Public Offer Shares;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the 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 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 26 February 2018	—	9:00 a.m. to 8:30 p.m. ^(Note)
Tuesday, 27 February 2018	—	8:00 a.m. to 8:30 p.m. ^(Note)
Wednesday, 28 February 2018	—	8:00 a.m. to 8:30 p.m. ^(Note)
Thursday, 1 March 2018	—	8:00 a.m. to 8:30 p.m. ^(Note)
Friday, 2 March 2018	—	8:00 a.m. to 8:30 p.m. ^(Note)
Saturday, 3 March 2018	—	8:00 a.m. to 1:00 p.m. ^(Note)
Monday, 5 March 2018	—	8:00 a.m. to 8:30 p.m. ^(Note)
Tuesday, 6 March 2018	—	8:00 a.m. ^(Note) to 12:00 noon

Note: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 26 February 2018 until 12:00 noon on Tuesday, 6 March 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 6 March 2018, the last application day or such later time as described below in “— 9. Effect of bad weather on the opening of the application lists”.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Personal Data

The section of the Application Forms headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, 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.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 6 March 2018.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Forms marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

HOW TO APPLY FOR PUBLIC OFFER SHARES

“*Unlisted company*” means a company with no equity securities listed on the Stock Exchange.

“*Statutory control*” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Public Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 4,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

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 see “Structure and Conditions of the Share Offer — Pricing and allocation”.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 6 March 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If the Application Lists do not open and close on Tuesday, 6 March 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 13 March 2018 on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.bandshk.com.

The results of allocations and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.bandshk.com by no later than 8:00 a.m. on Tuesday, 13 March 2018;
- from the designated results of allocations website at www.unioniporesults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 13 March 2018 to 12:00 midnight on Monday, 19 March 2018;
- by telephone enquiry line by calling (852) 2843 6081 between 9:00 a.m. and 6:00 p.m. from Tuesday, 13 March 2018 to Friday, 16 March 2018 on a business day; and
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 13 March 2018 to Thursday, 15 March 2018 at all the receiving bank’s designated branches listed above in “— 3. Applying for the Public Offer Shares”.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in “Structure and Conditions of the Share Offer”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR PUBLIC OFFER SHARES

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, 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 Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of the Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the Application Lists; or

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- 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 believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.00 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with “Structure and Conditions of the Share Offer — Conditions of the Share Offer” or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 13 March 2018.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

HOW TO APPLY FOR PUBLIC OFFER SHARES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong Identity Card/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/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong Identity Card/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 Tuesday, 13 March 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 14 March 2018 provided that the Share Offer has become unconditional and the right of termination described in “Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination” has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) in person from our Hong Kong Branch Share Registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 13 March 2018 or such other date as notified by us in the newspapers.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to 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 as specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 13 March 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address as specified in the relevant Application Form on Tuesday, 13 March 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 13 March 2018 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

— *If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

— *If you are applying as a CCASS Investor Participant*

Our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described above in "— 10. Publication of results". You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 13 March 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iii) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 13 March 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allocation of the Public Offer Shares in the manner specified above in “— 10. Publication of results” on Tuesday, 13 March 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 13 March 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's “An Operating Guide for Investor Participants” in effect from time to time) on Tuesday, 13 March 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Tuesday, 13 March 2018.

14. 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 arrangements as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF B & S INTERNATIONAL HOLDINGS LTD. AND LEGO CORPORATE FINANCE LIMITED

Introduction

We report on the historical financial information of B & S International Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-62, which comprises the combined statements of financial position as at 31 March 2015, 2016 and 2017 and 31 August 2017, the company statement of financial position as at 31 August 2017, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-62 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 26 February 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial*

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at 31 August 2017, and the combined financial position of the Group as at 31 March 2015, 2016 and 2017 and 31 August 2017, and of the Group’s combined financial performance and the Group’s combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statements of comprehensive income, changes in equity and cash flows for the five months ended 31 August 2016 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative

Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by B & S International Holdings Ltd. in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
26 February 2018

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 March			Five months ended 31 August	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Revenue	6	282,558	299,770	367,978	141,214	169,719
Cost of sales	9	(216,666)	(221,978)	(276,800)	(106,623)	(127,220)
Gross profit		65,892	77,792	91,178	34,591	42,499
Other gains/(losses), net	7	2,621	(623)	(1,117)	(2,009)	(1,489)
Other income	8	374	287	301	129	134
Selling and distribution expenses	9	(27,028)	(28,603)	(31,799)	(14,058)	(15,688)
Administrative expenses	9	(21,125)	(22,544)	(23,386)	(8,864)	(15,657)
Operating profit		20,734	26,309	35,177	9,789	9,799
Finance costs	10	(1,400)	(1,013)	(1,388)	(507)	(560)
Profit before income tax		19,334	25,296	33,789	9,282	9,239
Income tax expense	11	(3,084)	(4,145)	(5,529)	(1,610)	(2,629)
Profit and total comprehensive income for the year/period		<u>16,250</u>	<u>21,151</u>	<u>28,260</u>	<u>7,672</u>	<u>6,610</u>
Profit and total comprehensive income attributable to:						
Owners of the Company		13,666	19,808	27,356	7,382	6,247
Non-controlling interest		2,584	1,343	904	290	363
		<u>16,250</u>	<u>21,151</u>	<u>28,260</u>	<u>7,672</u>	<u>6,610</u>
Earnings per share for profit attributable to owners of the Company during the year/ period (expressed in HK\$ per share)						
— basic and diluted	14	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 March			As at
		2015	2016	2017	31 August
		HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000	
ASSETS					
Non-current assets					
Property, plant and equipment	16	4,573	8,655	12,486	16,236
Deferred income tax assets	22	308	499	1,073	1,147
Deposits, prepayments and other assets	19	9,040	11,273	15,631	20,756
Financial assets at fair value through profit or loss	17	<u>5,566</u>	<u>5,124</u>	<u>5,522</u>	<u>5,882</u>
		<u>19,487</u>	<u>25,551</u>	<u>34,712</u>	<u>44,021</u>
Current assets					
Inventories	18	17,924	17,485	18,733	22,879
Trade receivables	20	52,823	53,260	62,973	67,307
Deposits, prepayments and other receivables	19	3,890	4,557	6,724	9,595
Restricted cash	21	—	—	—	7,500
Cash and cash equivalents	21	<u>12,596</u>	<u>30,108</u>	<u>37,477</u>	<u>24,644</u>
		<u>87,233</u>	<u>105,410</u>	<u>125,907</u>	<u>131,925</u>
Total assets		<u>106,720</u>	<u>130,961</u>	<u>160,619</u>	<u>175,946</u>
EQUITY					
Equity attributable to owners of the Company					
Combined capital	25	5	5	5	5
Retained earnings	25	<u>38,503</u>	<u>46,731</u>	<u>58,547</u>	<u>64,794</u>
		38,508	46,736	58,552	64,799
Non-controlling interest	12	<u>5,468</u>	<u>5,341</u>	<u>4,775</u>	<u>5,138</u>
Total equity		<u>43,976</u>	<u>52,077</u>	<u>63,327</u>	<u>69,937</u>

	Note	As at 31 March			As at
		2015	2016	2017	31 August
		HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000	
LIABILITIES					
Non-current liabilities					
Obligation under hire purchase contracts	24	62	165	67	25
Current liabilities					
Trade and other payables	23	12,805	17,954	18,197	23,852
Income tax payables		646	2,994	3,740	5,399
Amounts due to related parties	30	24,085	31,608	42,791	23,981
Obligation under hire purchase contracts	24	306	157	98	99
Bank borrowings	24	24,840	26,006	32,399	52,653
		62,682	78,719	97,225	105,984
Total liabilities		62,744	78,884	97,292	106,009
Total equity and liabilities		106,720	130,961	160,619	175,946

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at 31 August 2017
	<i>Note</i>	<u>HK\$'000</u>
ASSETS		
Current assets		
Prepayments	19	<u>2,223</u>
Total assets		<u><u>2,223</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	31	—
Accumulated loss		<u>(6,180)</u>
Total deficit		<u><u>(6,180)</u></u>
Current liabilities		
Amount due to a related party	30(b)	6,656
Accruals	23	<u>1,747</u>
Total liabilities		<u>8,403</u>
Total equity and liabilities		<u><u>2,223</u></u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company		Non- controlling interest	Total
		Combined capital	Retained earnings		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2014		5	34,317	4,354	38,676
Profit and total comprehensive income for the year		—	13,666	2,584	16,250
Dividends	13	—	(9,480)	(1,470)	(10,950)
As at 31 March 2015 and 1 April 2015		5	38,503	5,468	43,976
Profit and total comprehensive income for the year		—	19,808	1,343	21,151
Dividends	13	—	(11,580)	(1,470)	(13,050)
As at 31 March 2016 and 1 April 2016		5	46,731	5,341	52,077
Profit and total comprehensive income for the year		—	27,356	904	28,260
Dividends	13	—	(15,540)	(1,470)	(17,010)
As at 31 March 2017		<u>5</u>	<u>58,547</u>	<u>4,775</u>	<u>63,327</u>
As at 1 April 2017		5	58,547	4,775	63,327
Profit and total comprehensive income for the period		—	6,247	363	6,610
As at 31 August 2017		<u>5</u>	<u>64,794</u>	<u>5,138</u>	<u>69,937</u>
(Unaudited)					
As at 1 April 2016		5	46,731	5,341	52,077
Profit and total comprehensive income for the period		—	7,382	290	7,672
As at 31 August 2016		<u>5</u>	<u>54,113</u>	<u>5,631</u>	<u>59,749</u>

COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 March			Five months ended 31 August	
		2015	2016	2017	2016	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	
Cash flows from operating activities						
Cash generated from operations	26(a)	33,995	35,564	28,242	550	7,502
Income tax paid		(4,141)	(2,238)	(5,279)	(733)	(949)
Net cash generated from/(used in) operating activities		29,854	33,326	22,963	(183)	6,553
Cash flows from investing activities						
Purchase of property, plant and equipment		(3,898)	(8,993)	(11,316)	(4,668)	(6,789)
Purchase of key management life insurance contracts	19(a)	(330)	(260)	(3,032)	(2,829)	(3,343)
Restricted cash	21(b)	—	—	—	—	(7,500)
Net cash used in investing activities		(4,228)	(9,253)	(14,348)	(7,497)	(17,632)
Cash flows from financing activities						
Proceeds from bank borrowings		92,177	81,230	110,446	50,589	71,417
Repayments of bank borrowings		(109,120)	(81,205)	(104,320)	(38,409)	(51,746)
Net repayments of obligation under hire purchase contracts		(320)	(46)	(157)	(74)	(41)
Amounts due to related parties	26(b)	(4,788)	(5,527)	(5,827)	(4,894)	(18,810)
Payment for professional fee in connection with IPO		—	—	—	—	(2,014)
Interest paid		(1,400)	(1,013)	(1,388)	(507)	(560)
Net cash (used in)/generated from financing activities		(23,451)	(6,561)	(1,246)	6,705	(1,754)
Net increase/(decrease) in cash and cash equivalents						
Cash and cash equivalents at beginning of the year/period		10,421	12,596	30,108	30,108	37,477
Cash and cash equivalents at end of the year/period	21	12,596	30,108	37,477	29,133	24,644

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION****1.1 General information**

The Company was incorporated in the Cayman Islands on 21 August 2017 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. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. Its subsidiaries principally engage in (i) distribution of food and beverage products ("Distribution Business") and (ii) provision of catering services ("Retail Business") in Hong Kong (collectively the "Listing Business"). The ultimate controlling shareholders are Mr. Chan Kam Chuen, Andrew, Mr. Chan Siu Cheung, Stephen and Mr. Chau Wing Kong, William (the "Controlling Shareholders"), who are parties acting collectively and have been controlling the group companies since their incorporation.

1.2 Reorganisation

Immediately prior to the Reorganisation (as defined below) and during the Track Record Period, the Listing Business was operated by Wise Fine Enterprise Limited, Saw Corporation Limited and National Jade Limited (the "Operating Subsidiaries"), and the Distribution Business segment of Best Source Enterprise Limited ("Best Source") which are all Hong Kong incorporated companies and controlled by the Controlling Shareholders.

In preparation for the initial public offering ("IPO") and listing (the "Listing") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, a group reorganisation (the "Reorganisation") was undertaken pursuant to which the Listing Business were transferred to the Company. The Reorganisation involved the followings steps:

- (a) On 16 August 2017, ACAC Investment Limited ("ACAC Investment"), SCSC Holdings Limited ("SCSC Holdings") and CCST Investment Limited ("CCST Investment") were incorporated in the British Virgin Islands (the "BVI") by Mr. Chan Kam Chuen, Andrew, Mr. Chan Siu Cheung, Stephen and Mr. Chau Wing Kong, William, respectively. On 16 August 2017, 1 share was allotted by each of the aforesaid companies to the respective controlling shareholders, at US\$1.00 per share.
- (b) Best Source is a company incorporated in Hong Kong and controlled and owned by the Controlling Shareholders and engages in Distribution Business (the "Included Business") and property investment business (the "Excluded Business"). Through business transfer deeds dated 21 November 2017, the net assets of the Included Business were transferred to the Group at net book value as at the respective dates of transfer.
- (c) On 21 August 2017, the Company was incorporated in the Cayman Islands with 1 share being allotted and issued to the initial subscriber. On the same date, the subscriber share of the Company was transferred at par value of HK\$0.01 to Mr. Chan Kam Chuen, Andrew. In addition, 99 Shares, 100 Shares and 100 Shares were further allotted and issued, all at par value, to Mr. Chan Kam Chuen, Andrew, Mr. Chan Siu Cheung, Stephen and Mr. Chau Wing Kong, William, respectively. Since then, the Company is owned as to 33.33% by each of the Controlling Shareholders. On 6 October 2017, shares of the Company held by the Controlling Shareholders were transferred to ACAC Investment, SCSC Holdings and CCST Investment, respectively. Since then, the Company is directly owned by ACAC Investment, SCSC Holdings and CCST Investment.
- (d) On 22 September 2017, Bands Investment Limited was incorporated in the BVI and one share of US\$1 was allotted and issued at par value to the Company.

- (e) On 23 October 2017, Bands Investment Limited acquired the entire issued share capital of Wise Fine Enterprise Limited, Saw Corporation Limited and Sunny Land Corporation Limited from the Controlling Shareholders. In consideration, the Company allotted and issued 300 shares to each of ACAC Investment, SCSC Holdings and CCST Investment. On 7 November 2017, Bands Investment Limited acquired the 51% issued share capital in National Jade Limited from the Controlling Shareholders. In consideration, the Company allotted and issued 100 shares to each of ACAC Investment, SCSC Holdings and CCST Investment.

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

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

<u>Company name</u>	<u>Place and date of incorporation/ establishment</u>	<u>Issued and fully paid share capital</u>	<u>Effective interest held</u>	<u>Principal activities/place of operation</u>	<u>Notes</u>
Directly held by the Company					
Bands Investment Limited	BVI 22 September 2017	US\$1	100%	Investment holding, BVI	(i)
Indirectly held by the Company					
Wise Fine Enterprise Limited	Hong Kong 1 March 2004	HK\$3	100%	Distribution of foods and beverage products and provision of catering services, HK	(ii)
Saw Corporation Limited	Hong Kong 24 January 2003	HK\$3	100%	Distribution of foods and beverage products, HK	(ii)
Sunny Land Corporation Limited	Hong Kong 16 June 2017	HK\$3	100%	Distribution of foods and beverage products, HK	(iii)
National Jade Limited	Hong Kong 22 August 1996	HK\$1,000	51%	Distribution of food and beverage products, HK	(ii)

- (i) No audited financial statements have been issued for Bands Investment Limited as there is no such statutory requirements in the place of incorporation of this subsidiary.
- (ii) The statutory financial statements of these subsidiaries for each of the years ended 31 March 2015, 2016 and 2017 were audited by Y.K. Leung & Co., Chartered Accountants, Certified Public Accountants in Hong Kong.
- (iii) No audited statutory financial statements have been issued, as Sunny Land Corporation Limited was newly incorporated in June 2017.

All companies now comprising the Group have adopted 31 March as the year-end date.

1.3 Basis of presentation

Immediately prior to the Reorganisation and during the Track Record Period, the Listing Business was primarily conducted through the Operating Subsidiaries and the Included Business of Best Source. Pursuant to the Reorganisation, the Listing Business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management and the ultimate owners of the Listing Business remain substantially the same.

Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under the Operating Subsidiaries. For the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the combined financial statements of the Operating Subsidiaries, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business for all periods presented.

The Historical Financial Information of the Included Business of Best Source for the Track Record Period was included in the following manner:

- Transactions and balances of Best Sources specifically identified as relating to the Included Business were combined in the Historical Financial information, while those specifically identified as relating to the Excluded Business were not combined in the Historical Financial Information;
- Expenses incurred by Best Sources which were not specifically identified as relating to the Included Business were allocated as appropriate and the portion of expenses relating to the Included Business is combined into the Historical Financial Information, as if such expenses were paid by Best Source on behalf of the Group;
- Current and deferred income taxes on profits attributable to the Included Business calculated on the above basis are provided for using the Hong Kong profits tax rate of 16.5% during the relevant periods in accordance with the Group's accounting policies; and
- Inter-company transactions and balances between group companies including the Included Business were eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA are set out below. The Historical Financial Information has been prepared under the historical cost convention, as modified by the financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of combined financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial statements, are disclosed in Note 4.

The following new and amended standards have been issued but not effective during the Relevant Period and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Annual Improvements Project HKFRSs 1 and HKAS 28 (amendments)	Annual Improvements 2014–2016 Cycle	1 January 2018
HKFRSs 2 (amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRSs 4	Applying HKFRSs 9 Financial Instruments with HKFRSs 4 Insurance Contracts (amendments)	1 January 2018
HKFRSs 9	Financial instruments	1 January 2018
HKFRSs 15	Revenue from contracts with customers	1 January 2018
HKFRSs 15 (amendments)	Clarifications to HKFRSs 15	1 January 2018
HKAS 40 (amendments)	Transfers of Investment Property	1 January 2018
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration (new interpretation)	1 January 2018
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRSs 16	Leases	1 January 2019
HKFRSs 17	Insurance Contracts	1 January 2021
HKFRSs 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet established by HKICPA

HKFRSs 9 “Financial instruments”

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRSs 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- debt instruments currently classified as loans and receivables would likely continue to be measured at amortised cost;
- equity investments currently measured at fair value through profit or loss would likely continue to be measured on the same basis under HKFRSs 9.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (“ECL”) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRSs 15 “Revenue from Contracts with Customers”, lease receivables, loan commitments and certain financial guarantee contracts. The Group assess that adopting HKFRSs 9 will not have material impact to the Group’s results of operations and financial position.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. HKFRSs 9 must be applied for financial years commencing on or after 1 January 2018.

HKFRSs 15 “Revenue from contracts with customers”

The HKICPA has issued a new standard for the recognition of revenue. HKFRSs 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption.

HKFRSs 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

- (1) Identify the contract(s) with customer;
- (2) Identify separate performance obligations in a contract;
- (3) Determine the transaction price;
- (4) Allocate transaction price to performance obligations; and
- (5) Recognise revenue when performance obligation is satisfied.

The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings process” to an “asset-liability” approach based on transfer of control.

The Group's revenue recognition policies are disclosed in Note 2.18. Currently, revenue from distribution of food and beverage products and from catering services are recognised in the combined statements of comprehensive income at the point of sale to customers or when a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

The directors, based on the results of an initial assessment, consider that the new standard does not have a significant impact on the combined financial statements.

HKFRSs 16 “Leases”

Under HKFRSs 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees.

The Group is a lessee of certain retail shops which are currently classified as operating leases. The Group's current accounting policy for such leases, as set out in Note 2.20, is to record the rental expenses in Group's combined statements of comprehensive income for the current year with the disclosure of related future minimum lease payments as operating lease commitments (Note 28(b)). As at 31 August 2017, the Group's total non-cancellable operating lease commitments amounted to HK\$40,657,000. The new standard will therefore result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the combined statement of financial position. In the combined statement of comprehensive income, as a result, the annual rental and amortisation expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and

interest expense arising from the lease liabilities will increase. Given that the total non-cancellable operating lease commitments account for 38% of the total liabilities of the Group as at 31 August 2017, the directors of the Company expect that the adoption of HKFRSs 16 as compared with the current accounting policy would result in significant impact on the Group's financial positions. The new standard is not expected to apply until the financial year beginning on or after 1 January 2019.

2.2 Subsidiaries

2.2.1 Business combination under common control

The Historical Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling parties.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration or goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of comprehensive income includes the results of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where there is shorter period, regardless of the date of the common control combination. The Historical Financial Information includes the entities that were managed by management of the Listing Business during the years presented. These activities were combined with all intra-group balances and transactions eliminated with the Group.

2.2.2 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined statements of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Gains or losses on disposals to non-controlling interests are also recorded in equity. When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.3 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments has been identified as the Executive Directors who make strategic decisions.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the combined financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The combined financial statements are presented in Hong Kong dollars ("HKD"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined statements of comprehensive income.

All other foreign exchange gains and losses are presented in the combined statements of comprehensive income within "other gains/(losses), net".

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged in the combined statements of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Shorter of remaining lease term or useful life
Furniture and fixtures	20%
Plant and machinery	30%
Computer and office equipment	30%
Motor vehicles	30%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other gains/(losses), net" in the combined statements of comprehensive income.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are at least tested annually for impairment. Assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets**(a) Classification**

The Group classifies its financial assets as at fair value through profit or loss as well as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "deposits, other receivables and other assets" and "cash and cash equivalents" in the combined statements of financial position (Notes 2.9 and 2.10).

The Group has acquired life insurance contracts for key management which include both investment and insurance elements. These investment insurance contracts are initially recognised at the amount of the premium paid and subsequently carried at cash surrender value at the end of each reporting period, with changes in values being recognised in the combined statements of comprehensive income.

(b) *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the combined statements of comprehensive income. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are recognised in the combined statements of comprehensive income in the period in which they arise.

(c) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(d) *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of asset is reduced and the amount of the loss is recognised in the combined statements of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statements of comprehensive income.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises 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 applicable selling expenses.

2.9 Trade and other receivables

Trade and other receivables are amounts due from customers for the merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If no, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.7(b) for further information about the Group's accounting for trade and other receivables and Note 2.7(d) for a description of the Group's impairment policy.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.11 Combined capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.14 Borrowing costs

Borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

2.15 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the combined statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis difference

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

(a) *Pension obligations*

The Group operates a number of Mandatory Provident Fund Schemes established under the Hong Kong Mandatory Provident Fund Schemes Ordinance for its employees. These plans are funded by payments from employees and by the Group and the Group's contributions to the plans are expensed as incurred. The assets are held separately from those of the Group and managed by related independent professional fund managers.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) *Bonus plans*

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(d) *Long service payments*

The Group's net obligation in respect of long service payments to its employees upon the termination of their employment or retirement when the employee fulfils certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods.

(e) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions mainly comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue from sales of goods when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Distribution business*

Sales of foods and beverage products are recognised when a group entity has delivered products to the customer, the customer has accepted the products, there is no unfulfilled obligations that could affect the customer's acceptance of the products and the amount of sales can be reliably measured and it is probable that future economic benefits will flow to the entities. Accumulated experience is used to estimate and provide for sales return at the time of sale.

(b) *Retail business*

Sales of foods and beverage products are recognised at the point of sales to customers.

2.19 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the combined statements of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the combined statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the combined financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the financial statements are authorised for issue, are disclosed as a non-adjusting event and are not recognised as liability at the end of the reporting period.

2.22 Financial guarantee

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group performs a liability adequacy test on inception of the guarantee and at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the combined statements of comprehensive income immediately.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow, fair value interest rate risk and price risk) credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out under policies approved by the Executive Directors. The directors provide principles for overall risk management.

(i) Foreign exchange risk

The Group operates in Hong Kong and is exposed to foreign exchange risk from the purchase of goods from overseas suppliers and cash and bank borrowings denominated in foreign currencies, primarily with respect to Japanese Yen ("JPY"), Taiwan New dollar ("TWD") and United States dollar ("USD").

Management closely monitors foreign currency exchange exposure and will take measures to minimise the currency translation risk. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign exchange risk exposure.

As Hong Kong dollars are pegged against USD, management considers that the Group is mainly exposed to foreign currency risk with respect to JPY and TWD.

Had HK\$ be strengthened/weakened by 5% for the years ended 31 March 2015, 2016, 2017 and the five months ended 31 August 2017 against JPY with all other variables held constant, the Group's post-tax profit for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 would have been approximately HK\$642,000, HK\$789,000, HK\$904,000, and HK\$1,064,000 higher/lower, respectively, mainly as a result of foreign exchange gains/losses on translation of JPY-denominated cash and cash equivalent, trade and other payables and bank borrowings.

Had HK\$ be strengthened/weakened by 5% for the years ended 31 March 2015, 2016, 2017 and the five months ended 31 August 2017 against TWD with all other variables held constant, the Group's post-tax profit for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 would have been approximately HK\$81,000, HK\$118,000, HK\$69,000 and HK\$92,000 higher/lower, respectively, mainly as a result of foreign exchange gains/losses on translation of TWD-denominated trade and other payables.

(ii) Interest rate risk

The Group's cash flow and fair value interest rate risk primarily relates to cash at banks, bank borrowings and obligation under hire purchase contracts. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group has obligation under hire purchase contracts which are subject to fair value interest rate risk and the exposure is not significant. Except for that, the Group does not have any fair value interest rate risk. The Group's interest rate risk primarily relates to its bank borrowings. The Group currently does not hedge its interest rate risk. However, management monitors the related interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arise. The interest rates and terms of repayment of borrowings are disclosed in Note 24.

Had interest rates been 50 basis points higher/lower than the prevailing interest rate for the years ended 31 March 2015, 2016, 2017 and the five months ended 31 August 2017, with all other variables held constant, the Group's post-tax profit for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 would have been approximately HK\$104,000, HK\$109,000, HK\$135,000 and HK\$220,000 lower/higher, respectively, mainly as a result of higher/lower interest expenses on floating rate bank borrowings.

(iii) Price risk

The Group is exposed to securities price risk because investments held by the Group are classified on the combined statements of financial position as financial assets at fair value through profit or loss. The Group has not mitigated its price risk arising from these financial assets.

For the Group's financial assets that are publicly traded, the fair value is determined with reference to quoted market prices. For the Group's financial assets that are not publicly traded, the Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the reporting date.

As at 31 March 2015, 2016, 2017 and 31 August 2017, the Group's financial assets at fair value through profit or loss comprised investment funds issued by reputable banks in Hong Kong, the fair value of which are mainly determined by the Group's share of the underlying asset value of the funds. Should the underlying asset value of those investment funds increase/decrease by 10% with all other variables being held constant, the Group's post-tax profit for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 would have been increased/decreased by approximately HK\$557,000, HK\$512,000, HK\$552,000 and HK\$588,000, respectively.

(iv) Credit risk

Credit risk is managed on a group basis. The Group's financial assets are trade receivables, deposits, other receivables and other assets, financial assets at fair value through profit or loss and cash at banks. The amounts of those assets stated in the combined statements of financial position represent the Group's maximum exposure to credit risk in relation to financial assets.

For the Group's Distribution Business, the Group's credit risk is concentrated on a number of long established customers. As at 31 March 2015, 2016 and 2017 and 31 August 2017, trade receivables from the top five customers accounted for approximately 67%, 73%, 68% and 68% of the Group's total trade receivables, respectively.

The Group has policies in place to ensure that sales are made to customers with appropriate credit histories and to limit the amount of credit exposure to any individual customer. The Group is not exposed to major credit risk with respect to its retail business.

The Group reviews the recoverable amount of each individual trade receivable at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's past experience in collection of trade receivables falls within the recorded allowances.

The credit risk on financial assets at fair value through profit or loss and cash at banks are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has policies that limit the amount of credit exposure to any one financial institution.

For deposits and other receivables, the Group regularly monitors the financial positions of these companies/counterparties to assess their recoverability. Management does not expect any losses from non-performance by these counterparties.

(v) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of available credit facilities. The Group manages its liquidity risk by controlling the level of inventories, closely monitoring the turnover days of trade receivables, monitoring its working capital requirements and keeping credit lines available.

Management monitors rolling forecasts of the Group's bank facilities and cash and cash equivalents on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long-term.

	On demand	Less than 1 year	Over 1 year	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2015				
Trade and other payables	—	12,805	—	12,805
Amounts due to related parties	—	24,085	—	24,085
Obligation under hire purchase contracts	—	317	63	380
Bank borrowings	<u>24,840</u>	<u>—</u>	<u>—</u>	<u>24,840</u>
	<u>24,840</u>	<u>37,207</u>	<u>63</u>	<u>62,110</u>
As at 31 March 2016				
Trade and other payables	—	17,954	—	17,954
Amounts due to related parties	—	31,608	—	31,608
Obligation under hire purchase contracts	—	165	170	335
Bank borrowings	<u>26,006</u>	<u>—</u>	<u>—</u>	<u>26,006</u>
	<u>26,006</u>	<u>49,727</u>	<u>170</u>	<u>75,903</u>
As at 31 March 2017				
Trade and other payables	—	18,197	—	18,197
Amounts due to related parties	—	42,791	—	42,791
Obligation under hire purchase contracts	—	102	68	170
Bank borrowings	<u>32,399</u>	<u>—</u>	<u>—</u>	<u>32,399</u>
	<u>32,399</u>	<u>61,090</u>	<u>68</u>	<u>93,557</u>
As at 31 August 2017				
Trade and other payables	—	23,852	—	23,852
Amounts due to related parties	—	23,981	—	23,981
Obligation under hire purchase contracts	—	102	25	127
Bank borrowings	<u>52,653</u>	<u>—</u>	<u>—</u>	<u>52,653</u>
	<u>52,653</u>	<u>47,935</u>	<u>25</u>	<u>100,613</u>

The table below summarises the maturity analysis of the Group's bank loans with a repayable on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts included interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained above.

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Within 1 year	24,968	26,114	31,258	50,003
Between 1 and 2 years	—	—	397	879
Between 2 and 5 years	—	—	872	1,946
	<u>24,968</u>	<u>26,114</u>	<u>32,527</u>	<u>52,828</u>

Taking into account the Group's financial position, the Directors do not consider that it is probable that the banks will exercise their discretions to demand immediate repayment. The Executive Directors believe that such loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts. The Group monitors capital on the basis of the gearing ratio, which is calculated by dividing total debts (excluding restricted cash or other pledged assets) by total capital. Total debts are calculated as total borrowings (including current and non-current borrowings as shown in the combined statements of financial position) plus amounts due to related parties. Total capital represent total debts plus total equity as shown in the combined statements of financial position, where applicable.

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Bank borrowings	24,840	26,006	32,399	52,653
Obligation under hire purchase contracts	368	322	165	124
Amounts due to related parties	<u>24,085</u>	<u>31,608</u>	<u>42,791</u>	<u>23,981</u>
Total debts	49,293	57,936	75,355	76,758
Total equity	<u>43,976</u>	<u>52,077</u>	<u>63,327</u>	<u>69,937</u>
Total capital	<u>93,269</u>	<u>110,013</u>	<u>138,682</u>	<u>146,695</u>
Gearing ratio	<u>53%</u>	<u>53%</u>	<u>54%</u>	<u>52%</u>

3.3 Fair value estimation

The carrying values of the Group's current financial assets, including trade receivables, deposits, other receivables and cash and cash equivalents, and the Group's current financial liabilities, including trade and other payables, amounts due to related parties, obligation under hire purchase contracts and bank borrowings approximate their fair values due to their short maturities.

The table below analyses the Group's financial instruments carried at fair value as at 31 March 2015, 2016 and 2017 and 31 August 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2015				
Financial assets at fair value through profit or loss				
— Investment funds	<u>—</u>	<u>—</u>	<u>5,566</u>	<u>5,566</u>
As at 31 March 2016				
Financial assets at fair value through profit or loss				
— Investment funds	<u>—</u>	<u>—</u>	<u>5,124</u>	<u>5,124</u>
As at 31 March 2017				
Financial assets at fair value through profit or loss				
— Investment funds	<u>—</u>	<u>—</u>	<u>5,522</u>	<u>5,522</u>
As at 31 August 2017				
Financial assets at fair value through profit or loss				
— Investment funds	<u>—</u>	<u>—</u>	<u>5,882</u>	<u>5,882</u>

There were no transfers between levels 1, 2 and 3 during the year/period.

The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Group does not have level 1 financial instruments.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to assess the fair value of an instrument are observable, the instrument is included in level 2. The Group does not have level 2 financial instruments.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group's financial assets at fair value through profit or loss comprised investment funds issued by reputable banks in Hong Kong, the fair value of which are mainly determined by the Group's share of the underlying asset value of the relevant funds, which is not an observable input. Management estimates the fair value with reference to quotations provided by the banks.

The carrying values less impairment provision of trade and other receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Fair value of financial assets*

The Group's financial assets are not traded in an active market. Accordingly, the methodologies, models, assumptions used in determining the fair value of the financial assets require judgement, which are mainly based on market conditions existing at each reporting date.

(b) *Estimated useful lives of property, plant and equipment*

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives. It will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

(c) *Provision for impairment of trade receivables*

The Group's management determines the provision for impairment of trade receivables based on an assessment of the recoverability of the receivables. This assessment is based on the financial position, repayment history and credit rating of its customers and the current market condition, and requires the use of judgements and estimates. Management reassesses the provision at each reporting date.

(d) *Impairment of property, plant and equipment*

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs to sell calculations. The calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

(e) *Current and deferred income tax*

The Group is subject to income taxes in Hong Kong. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimates are changed.

(f) *Net realisable value of inventories*

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. These estimates are based on the market condition and the historical experience of selling prices of similar nature. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors of the Group (collectively referred to as the “CODM”) that make strategic decisions. The CODM reviews the internal reporting of the Group in order to assess performance and allocate resources.

The Group principally engages in Distribution Business and Retail Business in Hong Kong. The Executive Directors consider the business from a product perspective. They reviewed the qualitative factors such as business activities, economic and legal characteristics and quantitative factors such as the financial performance of the Distribution Business and Retail Business to assess the performance of the operating segments.

No geographical segment information is presented as all the sales and operating profits of the Group are derived in Hong Kong and all the operating assets of the Group are located in Hong Kong.

Segment result as presented below:

	Distribution Business	Retail Business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2015			
Segment revenue	<u>241,941</u>	<u>40,617</u>	<u>282,558</u>
Segment results	<u>36,227</u>	<u>2,048</u>	38,275
Unallocated expenses			(20,536)
Other gains, net			2,621
Other income			374
Finance costs			<u>(1,400)</u>
Profit before income tax			19,334
Income tax expense			<u>(3,084)</u>
Profit for the year			<u>16,250</u>
Segment items included:			
Depreciation	<u>990</u>	<u>1,626</u>	<u>2,616</u>
Year ended 31 March 2016			
Segment revenue	<u>220,606</u>	<u>79,164</u>	<u>299,770</u>
Segment results	<u>40,829</u>	<u>7,621</u>	48,450
Unallocated expenses			(21,805)
Other losses, net			(623)
Other income			287
Finance costs			<u>(1,013)</u>
Profit before income tax			25,296
Income tax expense			<u>(4,145)</u>
Profit for the year			<u>21,151</u>
Segment items included:			
Depreciation	<u>761</u>	<u>3,634</u>	<u>4,395</u>

	Distribution Business	Retail Business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2017			
Segment revenue	<u>243,075</u>	<u>124,903</u>	<u>367,978</u>
Segment results	<u>41,124</u>	<u>16,863</u>	57,987
Unallocated expenses			(21,994)
Other losses, net			(1,117)
Other income			301
Finance costs			<u>(1,388)</u>
Profit before income tax			33,789
Income tax expense			<u>(5,529)</u>
Profit for the year			<u>28,260</u>
Segment items included:			
Depreciation	<u>958</u>	<u>6,077</u>	<u>7,035</u>
(Unaudited)			
Five months ended 31 August 2016			
Segment revenue	<u>92,753</u>	<u>48,461</u>	<u>141,214</u>
Segment results	<u>13,127</u>	<u>6,932</u>	20,059
Unallocated expenses			(8,390)
Other losses, net			(2,009)
Other income			129
Finance costs			<u>(507)</u>
Profit before income tax			9,282
Income tax expense			<u>(1,610)</u>
Profit for the period			<u>7,672</u>
Segment items included:			
Depreciation	<u>348</u>	<u>2,393</u>	<u>2,741</u>

	Distribution Business	Retail Business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Five months ended 31 August 2017			
Segment revenue	<u>96,287</u>	<u>73,432</u>	<u>169,719</u>
Segment results	<u>13,408</u>	<u>12,809</u>	26,217
Unallocated expense			(15,063)
Other losses, net			(1,489)
Other income			134
Finance costs			<u>(560)</u>
Profit before income tax			9,239
Income tax expense			<u>(2,629)</u>
Profit for the period			<u>6,610</u>
Segment items included:			
Depreciation	<u>518</u>	<u>3,030</u>	<u>3,548</u>
The segment assets are as follows:			
	Distribution Business	Retail Business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2015			
Total segment assets	<u>69,502</u>	<u>11,863</u>	<u>81,365</u>
Total segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>490</u>	<u>3,402</u>	<u>3,892</u>
Year ended 31 March 2016			
Total segment assets	<u>65,993</u>	<u>21,884</u>	<u>87,877</u>
Total segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>1,023</u>	<u>7,454</u>	<u>8,477</u>
Year ended 31 March 2017			
Total segment assets	<u>78,527</u>	<u>28,048</u>	<u>106,575</u>
Total segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>3,126</u>	<u>7,740</u>	<u>10,866</u>
Five months ended 31 August 2017			
Total segment assets	<u>85,838</u>	<u>38,150</u>	<u>123,988</u>
Total segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>1,055</u>	<u>6,243</u>	<u>7,298</u>

Reconciliation of total segment assets to total assets is provided as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Total segment assets	81,365	87,877	106,575	123,988
Unallocated:				
Deferred income tax assets	308	499	1,073	1,147
Key management life insurance contracts	6,885	7,353	9,972	12,785
Financial assets at fair value through profit or loss	5,566	5,124	5,522	5,882
Restricted cash	—	—	—	7,500
Cash and cash equivalents	12,596	30,108	37,477	24,644
Total assets	<u>106,720</u>	<u>130,961</u>	<u>160,619</u>	<u>175,946</u>

The segment liabilities are as follows:

	Distribution	Retail Business	Total
	Business		
	HK\$'000	HK\$'000	HK\$'000
Year ended 31 March 2015			
Total segment liabilities	<u>33,880</u>	<u>2,947</u>	<u>36,827</u>
Year ended 31 March 2016			
Total segment liabilities	<u>38,763</u>	<u>5,519</u>	<u>44,282</u>
Year ended 31 March 2017			
Total segment liabilities	<u>41,373</u>	<u>7,789</u>	<u>49,162</u>
Five months ended 31 August 2017			
Total segment liabilities	<u>48,615</u>	<u>11,482</u>	<u>60,097</u>

Reconciliation of total segment liabilities to total liabilities is provided as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Total segment liabilities	36,827	44,282	49,162	60,097
Unallocated:				
Income tax payables	646	2,994	3,740	5,399
Amounts due to related parties	24,085	31,608	42,791	23,981
Bank borrowings	1,186	—	1,599	16,532
Total liabilities	<u>62,744</u>	<u>78,884</u>	<u>97,292</u>	<u>106,009</u>

6 REVENUE

The Group principally engages in distribution of food and beverage products and provision of catering services in Hong Kong.

Revenue from Distribution Business and Retail Business recognised during the years/periods are as follows:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Sales of goods	241,941	220,606	243,075	92,753	96,287
Catering services	40,617	79,164	124,903	48,461	73,432
	<u>282,558</u>	<u>299,770</u>	<u>367,978</u>	<u>141,214</u>	<u>169,719</u>

For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, customer A from Distribution Business accounted for approximately 27%, 25%, 26%, 24% and 23% of the Group's revenue, respectively.

For the year ended 31 March 2015, customer B from Distribution Business accounted for approximately 13% of the Group's revenue. Revenue from customer B accounted for less than 10% of the Group's revenue for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2016 and 2017.

All other customers individually accounted for less than 10% of the Group's revenue for the respective years/periods.

7 OTHER GAINS/(LOSSES), NET

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Change in cash surrender value of key management life insurance contracts (<i>Note 19</i>)	175	208	(413)	(554)	(530)
Fair value (loss)/gain on financial assets at fair value through profit or loss (<i>Note 17</i>)	(9)	(442)	398	312	360
Exchange gain/(loss)	2,455	(389)	(1,102)	(1,767)	(1,319)
	<u>2,621</u>	<u>(623)</u>	<u>(1,117)</u>	<u>(2,009)</u>	<u>(1,489)</u>

8 OTHER INCOME

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Rental income	96	96	120	50	50
Sundry income	278	191	181	79	84
	<u>374</u>	<u>287</u>	<u>301</u>	<u>129</u>	<u>134</u>

Sundry income mainly included dividend income from investment funds.

9 EXPENSES BY NATURE

Expenses included in costs of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Auditor's remuneration	96	106	110	46	50
Cost of inventories sold	186,258	170,583	200,355	77,771	84,708
Depreciation of property, plant and equipment (Note 16)	2,616	4,395	7,035	2,741	3,548
Employee benefit expenses (Note 15)	24,337	34,170	46,773	17,359	24,656
Operating lease rentals in respect of rented premises (Note (i))	13,684	22,105	31,650	12,190	17,425
Utilities expenses	4,784	7,078	7,532	2,957	3,726
Transportation and logistic service expenses	11,024	11,141	12,546	5,027	5,513
Freight charges	5,821	4,750	5,076	1,947	1,935
Advertising and promotion expenses	9,504	11,101	12,644	6,342	7,228
Franchise fees	235	942	1,589	605	892
Travelling expenses	1,992	1,608	1,167	540	296
Write-off of inventories	80	38	106	39	42
Write-off of impaired trade receivables (Note 20)	86	171	276	—	—
Listing expenses	—	—	—	—	6,180
Others	4,302	4,937	5,126	1,981	2,366
	<u>264,819</u>	<u>273,125</u>	<u>331,985</u>	<u>129,545</u>	<u>158,565</u>
Representing:					
Cost of sales	216,666	221,978	276,800	106,623	127,220
Selling and distribution expenses	27,028	28,603	31,799	14,058	15,688
Administrative expenses	21,125	22,544	23,386	8,864	15,657
	<u>264,819</u>	<u>273,125</u>	<u>331,985</u>	<u>129,545</u>	<u>158,565</u>

- (i) The operating lease rentals includes contingent rentals of HK\$1,847,000, HK\$3,142,000, HK\$4,289,000, HK\$1,784,000 and HK\$2,655,000 for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, respectively, in respect of the Group's catering business.

10 FINANCE COSTS

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Interest expense on bank borrowings	1,370	998	1,379	498	558
Interest expense on hire purchase contracts	30	15	9	9	2
	<u>1,400</u>	<u>1,013</u>	<u>1,388</u>	<u>507</u>	<u>560</u>

11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017.

The amount of taxation charged to the combined statements of comprehensive income represents:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Current income tax	3,306	4,336	6,103	1,737	2,703
Deferred income tax (Note 22)	(222)	(191)	(574)	(127)	(74)
	<u>3,084</u>	<u>4,145</u>	<u>5,529</u>	<u>1,610</u>	<u>2,629</u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Profit before income tax	19,334	25,296	33,789	9,282	9,239
Calculated at a taxation rate of 16.5%	3,190	4,174	5,575	1,532	1,524
Income not subject to tax	(62)	(66)	(95)	(64)	(71)
Expenses not deductible for taxation purposes	18	110	126	120	1,158
Tax credits	(40)	(60)	(60)	—	—
Others	(22)	(13)	(17)	22	18
	<u>3,084</u>	<u>4,145</u>	<u>5,529</u>	<u>1,610</u>	<u>2,629</u>

12 NON-CONTROLLING INTEREST

Material non-controlling interest

As at 31 March 2015, 2016 and 2017 and 31 August 2017, the Group's non-controlling interest amounting to approximately HK\$5,468,000, HK\$5,341,000, HK\$4,775,000 and HK\$5,138,000, respectively, is attributable to National Jade Limited, a 51% owned subsidiary.

Summarised financial information of the subsidiary with material non-controlling interest

Set out below are the summarised financial information of National Jade Limited, which has non-controlling interests that is material to the Group.

Summarised statements of financial position

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Current				
Assets	16,540	16,796	18,265	18,766
Liabilities	(5,380)	(5,896)	(8,520)	(8,281)
Net assets	11,160	10,900	9,745	10,485

Summarised statements of comprehensive income

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Revenue	68,955	68,626	70,916	29,091	25,419
Profit before income tax	6,303	3,259	2,184	708	887
Income tax expense	(1,030)	(518)	(340)	(117)	(146)
Profit and total comprehensive income for the year/period	5,273	2,741	1,844	591	741
Total comprehensive income allocated to non-controlling interest	2,584	1,343	904	290	363
Dividends paid to non-controlling interest	1,470	1,470	1,470	—	—

Summarised statements of cash flows

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	11,405	3,783	579	(1,867)	(2,365)
Net cash (used in)/generated from financing activities	(8,973)	(2,186)	(365)	396	(180)
Net increase/(decrease) in cash and cash equivalents	2,432	1,597	214	(1,471)	(2,545)
Cash and cash equivalents at beginning of year/period	2,763	5,195	6,792	6,792	7,006
Cash and cash equivalents at end of year/period	5,195	6,792	7,006	5,321	4,461

The information above is before inter-company eliminations.

13 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation and up to 31 August 2017.

Dividends during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017 represented dividends declared by the companies now comprising the Group to the then owners of the companies for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, after eliminating 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 report.

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dividend (<i>Note 26(b)</i>)	10,950	13,050	17,010	—	—

Subsequent to 31 August 2017, by a directors' meeting held on 14 February 2018, the Company's directors resolved to declare a special dividend of HK\$10,000 per share, totaling HK\$15 million, to the Controlling Shareholders.

14 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the group reorganisation and the preparation of the results for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017 on a combined basis as disclosed in Note 1.3 above.

15 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are as follows:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Wages, salaries, bonuses and allowances	22,500	31,344	42,622	15,758	22,615
Pension costs — defined contribution plans	962	1,423	2,004	746	1,051
Staff welfare and benefits	875	1,403	2,147	855	990
	<u>24,337</u>	<u>34,170</u>	<u>46,773</u>	<u>17,359</u>	<u>24,656</u>

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors whose emoluments are reflected in the analysis presented in Note 15(d) during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017. The emoluments payable to the remaining three individuals for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017 are as follows:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Wages, salaries, bonuses and allowances	1,951	2,100	2,277	605	700
Pension costs — defined contribution plans	49	51	53	24	24
Staff welfare and benefits	51	20	9	5	—
	<u>2,051</u>	<u>2,171</u>	<u>2,339</u>	<u>634</u>	<u>724</u>

The emoluments fell within the following bands:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
				(Unaudited)	
HK\$100,000 to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

(c) Senior management's emolument

The senior management's emoluments (excluding the five highest paid individuals) fell within the following bands:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
				(Unaudited)	
HK\$100,000 to HK\$500,000	—	—	—	—	1

(d) Director emoluments

The remunerations of each Executive Director for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017 are set out below:

	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 March 2015							
Executive Directors							
Mr. Chau Wing Kong, William (Note (i))	—	610	—	30	17	—	657
Mr. Chan Siu Cheung, Stephen (Note (i))	—	540	—	8	17	—	565
Mr. Chan Kam Chuen, Andrew (Note (i))	—	350	—	23	17	—	390
Ms. Tin Hau Ling, Janny (Note (ii))	—	—	—	—	—	—	—
	—	1,500	—	61	51	—	1,612

	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 March 2016							
Executive Directors							
Mr. Chau Wing Kong, William (Note (i))	—	670	—	—	18	—	688
Mr. Chan Siu Cheung, Stephen (Note (i))	—	570	—	5	18	—	593
Mr. Chan Kam Chuen, Andrew (Note (i))	—	350	—	95	18	—	463
Ms. Tin Hau Ling, Janny (Note (ii))	—	—	—	—	—	—	—
	—	1,590	—	100	54	—	1,744

	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 March 2017							
Executive Directors							
Mr. Chau Wing Kong, William (Note (i))	—	694	—	—	18	—	712
Mr. Chan Siu Cheung, Stephen (Note (i))	—	594	—	3	18	—	615
Mr. Chan Kam Chuen, Andrew (Note (i))	—	362	—	66	18	—	446
Ms. Tin Hau Ling, Janny (Note (ii))	—	—	—	—	—	—	—
	—	1,650	—	69	54	—	1,773

	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)							
Five months ended 31 August 2016							
Executive Directors							
Mr. Chau Wing Kong, William (Note (i))	—	289	—	—	8	—	297
Mr. Chan Siu Cheung, Stephen (Note (i))	—	247	—	—	8	—	255
Mr. Chan Kam Chuen, Andrew (Note (i))	—	151	—	33	8	—	192
Ms. Tin Hau Ling, Janny (Note (ii))	—	—	—	—	—	—	—
	—	687	—	33	24	—	744

	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Five months ended 31 August 2017							
Executive Directors							
Mr. Chau Wing Kong, William (Note (i))	—	289	—	—	8	—	297
Mr. Chan Siu Cheung, Stephen (Note (i))	—	247	—	—	8	—	255
Mr. Chan Kam Chuen, Andrew (Note (i))	—	151	—	2	8	—	161
Ms. Tin Hau Ling, Janny (note (ii))	—	—	—	—	—	—	—
	—	687	—	2	24	—	713

Notes:

- (i) Mr. Chau Wing Kong, William, Mr. Chan Siu Cheung, Stephen and Mr. Chan Kam Chuen, Andrew were appointed as Executive Director of the Company on 21 August 2017.
- (ii) Ms. Tin Hau Ling, Janny was appointed as Executive Director of the Company on 14 November 2017.
- (iii) Mr. Yu Ka Ho, Bernard, Mr. See Hung Yan, Peter and Mr. Chung Kwok Mo, John were appointed as Independent Non-executive Directors of the Company on 12 February 2018.

(e) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries' undertaking during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017.

No payment was made to the directors as compensation for early termination of appointment during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017.

(f) Consideration provided to third parties for making available directors' services

No payment was made to any former employers of the directors for making available the services of them as a director of the Company during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017.

(g) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 30, there were no other loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017.

(h) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in the Note 30, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years/periods or at any time during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017.

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and machinery	Furniture and fixtures	Computer and office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2014						
Cost	6,675	331	503	709	3,138	11,356
Accumulated depreciation	(4,381)	(90)	(479)	(578)	(2,531)	(8,059)
Net book amount	<u>2,294</u>	<u>241</u>	<u>24</u>	<u>131</u>	<u>607</u>	<u>3,297</u>
Year ended 31 March 2015						
Opening net book amount	2,294	241	24	131	607	3,297
Additions	3,420	433	8	31	—	3,892
Depreciation (Note 9)	(2,087)	(143)	(10)	(60)	(316)	(2,616)
Closing net book amount	<u>3,627</u>	<u>531</u>	<u>22</u>	<u>102</u>	<u>291</u>	<u>4,573</u>
At 31 March 2015						
Cost	10,095	764	511	740	3,019	15,129
Accumulated depreciation	(6,468)	(233)	(489)	(638)	(2,728)	(10,556)
Net book amount	<u>3,627</u>	<u>531</u>	<u>22</u>	<u>102</u>	<u>291</u>	<u>4,573</u>
Year ended 31 March 2016						
Opening net book amount	3,627	531	22	102	291	4,573
Additions	5,313	2,470	42	365	287	8,477
Depreciation (Note 9)	(3,469)	(565)	(12)	(100)	(249)	(4,395)
Closing net book amount	<u>5,471</u>	<u>2,436</u>	<u>52</u>	<u>367</u>	<u>329</u>	<u>8,655</u>

	<u>Leasehold improvements</u>	<u>Plant and machinery</u>	<u>Furniture and fixtures</u>	<u>Computer and office equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2016						
Cost	15,408	3,234	553	1,105	3,306	23,606
Accumulated depreciation	<u>(9,937)</u>	<u>(798)</u>	<u>(501)</u>	<u>(738)</u>	<u>(2,977)</u>	<u>(14,951)</u>
Net book amount	<u>5,471</u>	<u>2,436</u>	<u>52</u>	<u>367</u>	<u>329</u>	<u>8,655</u>
Year ended 31 March 2017						
Opening net book amount	5,471	2,436	52	367	329	8,655
Additions	8,325	1,440	305	796	—	10,866
Depreciation (Note 9)	<u>(5,484)</u>	<u>(1,103)</u>	<u>(43)</u>	<u>(267)</u>	<u>(138)</u>	<u>(7,035)</u>
Closing net book amount	<u>8,312</u>	<u>2,773</u>	<u>314</u>	<u>896</u>	<u>191</u>	<u>12,486</u>
At 31 March 2017						
Cost	23,733	4,674	858	1,901	3,306	34,472
Accumulated depreciation	<u>(15,421)</u>	<u>(1,901)</u>	<u>(544)</u>	<u>(1,005)</u>	<u>(3,115)</u>	<u>(21,986)</u>
Net book amount	<u>8,312</u>	<u>2,773</u>	<u>314</u>	<u>896</u>	<u>191</u>	<u>12,486</u>
	<u>Leasehold improvements</u>	<u>Plant and machinery</u>	<u>Furniture and fixtures</u>	<u>Computer and office equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Five months ended 31 August 2017						
Opening net book amount	8,312	2,773	314	896	191	12,486
Additions	5,530	965	217	586	—	7,298
Depreciation (Note 9)	<u>(2,697)</u>	<u>(598)</u>	<u>(37)</u>	<u>(180)</u>	<u>(36)</u>	<u>(3,548)</u>
Closing net book amount	<u>11,145</u>	<u>3,140</u>	<u>494</u>	<u>1,302</u>	<u>155</u>	<u>16,236</u>
At 31 August 2017						
Cost	29,263	5,639	1,075	2,487	3,306	41,770
Accumulated depreciation	<u>(18,118)</u>	<u>(2,499)</u>	<u>(581)</u>	<u>(1,185)</u>	<u>(3,151)</u>	<u>(25,534)</u>
Net book amount	<u>11,145</u>	<u>3,140</u>	<u>494</u>	<u>1,302</u>	<u>155</u>	<u>16,236</u>
(Unaudited) Five months ended 31 August 2016						
Opening net book amount	5,471	2,436	52	367	329	8,655
Additions	3,890	324	96	404	—	4,714
Depreciation (Note 9)	<u>(2,139)</u>	<u>(415)</u>	<u>(12)</u>	<u>(86)</u>	<u>(89)</u>	<u>(2,741)</u>
Closing net book amount	<u>7,222</u>	<u>2,345</u>	<u>136</u>	<u>685</u>	<u>240</u>	<u>10,628</u>
At 31 August 2016						
Cost	19,298	3,558	649	1,509	3,306	28,320
Accumulated depreciation	<u>(12,076)</u>	<u>(1,213)</u>	<u>(513)</u>	<u>(824)</u>	<u>(3,066)</u>	<u>(17,692)</u>
Net book amount	<u>7,222</u>	<u>2,345</u>	<u>136</u>	<u>685</u>	<u>240</u>	<u>10,628</u>

Depreciation of the Group's property, plant and equipment has been charged to the combined statements of comprehensive income as follow:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of sales	1,626	3,634	6,077	2,393	3,030
Selling and distribution expenses	560	345	427	125	220
Administrative expenses	430	416	531	223	298
	<u>2,616</u>	<u>4,395</u>	<u>7,035</u>	<u>2,741</u>	<u>3,548</u>

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Unlisted investments:				
— Investment funds (<i>Note a</i>)	<u>5,566</u>	<u>5,124</u>	<u>5,522</u>	<u>5,882</u>

Note:

- (a) As at 31 March 2015, 2016 and 2017 and 31 August 2017, investment funds comprised portfolio funds issued by reputable banks in Hong Kong which primarily invest in listed or unlisted securities and bonds. These investment funds are denominated in HKD, with fair values being determined with reference to the net asset value of the relevant funds.

18 INVENTORIES

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Raw materials	1,513	3,474	3,018	3,803
Finished goods	<u>16,411</u>	<u>14,011</u>	<u>15,715</u>	<u>19,076</u>
	<u>17,924</u>	<u>17,485</u>	<u>18,733</u>	<u>22,879</u>

Inventories mainly comprise food and beverage products which are stated at lower of cost and net realisable value.

19 DEPOSITS, PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Non-current				
Rental deposits	2,099	3,351	4,202	6,642
Deposits for the purchase of property, plant and equipment	56	569	1,457	1,329
Key management life insurance contracts (<i>Note a</i>)	6,885	7,353	9,972	12,785
	<u>9,040</u>	<u>11,273</u>	<u>15,631</u>	<u>20,756</u>
Current				
Prepayments	2,507	2,585	2,919	4,190
Rental and other deposits	1,244	1,544	3,252	2,799
Other receivables	31	69	152	2,250
Amount due from a related party (<i>Note 30</i>)	97	98	218	268
Income tax recoverable	11	261	183	88
	<u>3,890</u>	<u>4,557</u>	<u>6,724</u>	<u>9,595</u>
	<u>12,930</u>	<u>15,830</u>	<u>22,355</u>	<u>30,351</u>

The Company

	As at
	31 August
	2017
	HK\$'000
Prepayments — Listing expenses	<u>2,223</u>

Note:

- (a) As at 31 March 2015, 2016 and 2017 and 31 August 2017, the Group had certain key management life insurance contracts which are pledged as securities for certain of the Group's bank borrowings (Note 24(b)). The carrying value of such insurance contracts represented the cash surrender value of the insurance contracts. These insurance contracts are denominated in USD and HKD.

The movements of the insurance contracts during the Track Record Period were as follows:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of year/period	6,380	6,885	7,353	7,353	9,972
Premium paid	330	260	3,032	2,829	3,343
Change in cash surrender value of key management life insurance contracts (Note 7)	175	208	(413)	(554)	(530)
End of year/ period	<u>6,885</u>	<u>7,353</u>	<u>9,972</u>	<u>9,628</u>	<u>12,785</u>

The carrying amounts of the deposits, prepayments, other receivables and other assets are denominated in the following currencies:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Hong Kong dollar	5,321	8,103	12,288	17,241
United States dollar	7,318	7,504	9,075	11,528
Taiwan New dollar	155	199	732	385
Euro	136	—	—	—
Renminbi	—	24	260	1,197
	<u>12,930</u>	<u>15,830</u>	<u>22,355</u>	<u>30,351</u>

20 TRADE RECEIVABLES

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Trade receivables				
— third parties	51,319	52,928	56,586	57,813
— related parties (Note 30)	1,504	332	6,387	9,494
	<u>52,823</u>	<u>53,260</u>	<u>62,973</u>	<u>67,307</u>

The Group's retail sales are settled on cash basis. The Group generally grants credit period ranged from 0 to 120 days to its customers for Distribution Business.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, the ageing analysis of the trade receivables based on invoice dates was as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
0–30 days	13,411	15,812	22,889	24,205
31–60 days	11,714	12,656	15,154	17,191
61–90 days	16,612	13,940	12,780	10,773
91–180 days	9,306	10,037	11,301	13,488
Over 180 days	1,780	815	849	1,650
	<u>52,823</u>	<u>53,260</u>	<u>62,973</u>	<u>67,307</u>

As at 31 March 2015, 2016 and 2017 and 31 August 2017, trade receivables of HK\$14,710,000, HK\$13,370,000, HK\$11,184,000 and HK\$15,636,000, respectively, were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, the ageing analysis of these trade receivables based on due date was as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Not yet past due	38,113	39,890	51,789	51,671
Past due by-				
1–30 days	10,658	10,160	8,715	8,544
31–60 days	1,301	1,522	1,093	2,506
61–90 days	327	554	463	2,854
Over 90 days	2,424	1,134	913	1,732
	<u>52,823</u>	<u>53,260</u>	<u>62,973</u>	<u>67,307</u>

During the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, trade receivables of HK\$86,000, HK\$171,000, HK\$276,000, Nil and Nil were written off respectively.

The trade receivables from top five customers accounted for approximately 67%, 73%, 68% and 68% of the total trade receivables as at 31 March 2015, 2016, 2017 and 31 August 2017, respectively. The Group's credit risk management is disclosed in Note 3 to the Historical Financial Information.

The carrying amounts of trade receivables are denominated in Hong Kong dollars.

The carrying amounts of trade and other receivables approximate their fair values due to their short maturities. The maximum exposure to credit risk at the reporting date is the fair value mentioned above. The Group does not hold any collateral as security.

21 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Cash at banks	12,405	29,721	36,960	23,930
Cash on hand	191	387	517	714
	<u>12,596</u>	<u>30,108</u>	<u>37,477</u>	<u>24,644</u>

Cash and cash equivalents are denominated in the following currencies:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
United States dollar	171	58	1,279	105
Hong Kong dollar	12,393	30,014	36,162	24,503
Renminbi	28	28	28	28
Japanese Yen	4	8	8	8
	<u>12,596</u>	<u>30,108</u>	<u>37,477</u>	<u>24,644</u>

(b) Restricted cash

As at 31 August 2017, the Group had restricted deposit held at a bank as securities for certain banking facilities. The restricted deposit is denominated in HKD.

22 DEFERRED INCOME TAX

The analysis of deferred income tax assets of the Group was as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Deferred income tax assets to be recovered after more than 12 months	<u>308</u>	<u>499</u>	<u>1,073</u>	<u>1,147</u>

Movements in deferred income tax assets of the Group during the year/period are as follows:

	Decelerated tax depreciation
	<i>HK\$'000</i>
As at 1 April 2014	86
Credited to the combined statements of comprehensive income	<u>222</u>
As at 31 March 2015	308
Credited to the combined statements of comprehensive income	<u>191</u>
As at 31 March 2016	499
Credited to the combined statements of comprehensive income	<u>574</u>
As at 31 March 2017	1,073
Credited to the combined statements of comprehensive income	<u>74</u>
As at 31 August 2017	<u><u>1,147</u></u>
(Unaudited)	
As at 1 April 2016	499
Credited to the combined statements of comprehensive income	<u>127</u>
As at 31 August 2016	<u><u>626</u></u>

23 TRADE AND OTHER PAYABLES

The Group

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	4,845	7,321	5,473	5,215
Accruals for employee benefits	4,148	5,560	6,645	7,287
Provision for unused annual leave	365	450	487	732
Provision for long service payment	728	728	728	728
Provision for reinstatement costs	449	909	1,424	1,765
Accruals for operating expenses	1,020	1,715	1,700	3,955
Accruals for property, plants and equipment	500	497	935	1,316
Other payables	<u>750</u>	<u>774</u>	<u>805</u>	<u>2,854</u>
	<u><u>12,805</u></u>	<u><u>17,954</u></u>	<u><u>18,197</u></u>	<u><u>23,852</u></u>

The Company

	As at 31 August 2017
	<i>HK\$'000</i>
Accruals — Listing expenses	<u><u>1,747</u></u>

The ageing analysis of trade payables based on invoice date was as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
0–30 days	3,775	6,959	5,321	4,816
31–60 days	376	340	62	275
61–90 days	235	4	—	15
Over 90 days	459	18	90	109
	<u>4,845</u>	<u>7,321</u>	<u>5,473</u>	<u>5,215</u>

The carrying amounts of the Group's trade and other payables approximate their fair values due to their short maturities.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Hong Kong dollar	9,230	12,292	13,854	18,587
United States dollar	415	460	1,533	1,965
Taiwan New dollar	1,930	2,835	1,641	2,215
Euro	136	145	—	—
Singapore dollar	—	621	—	—
Renminbi	502	161	95	150
Japanese Yen	592	1,440	1,074	720
Great British Pound	—	—	—	215
	<u>12,805</u>	<u>17,954</u>	<u>18,197</u>	<u>23,852</u>

24 BANK BORROWINGS AND OBLIGATION UNDER HIRE PURCHASE CONTRACTS

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Non-current				
Obligation under hire purchase contracts (Note (a))	<u>62</u>	<u>165</u>	<u>67</u>	<u>25</u>
Current				
Bank borrowings (Note (b))	24,840	26,006	32,399	52,653
Obligation under hire purchase contracts (Note (a))	<u>306</u>	<u>157</u>	<u>98</u>	<u>99</u>
	<u>25,146</u>	<u>26,163</u>	<u>32,497</u>	<u>52,752</u>
Total borrowings	<u>25,208</u>	<u>26,328</u>	<u>32,564</u>	<u>52,777</u>

(a) **Obligation under hire purchase contracts****Gross finance lease liabilities — minimum lease payments**

	As at 31 March			As at
	2015	2016	2017	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
No later than 1 year	317	165	102	102
Later than 1 year and no later than 5 years	63	170	68	25
	380	335	170	127
Future finance charges on finance leases	(12)	(13)	(5)	(3)
Present value of financial lease liabilities	<u>368</u>	<u>322</u>	<u>165</u>	<u>124</u>

The present value of finance lease liabilities are as follows:

No later than 1 year	306	157	98	99
Later than 1 year and no later than 5 years	62	165	67	25
	<u>368</u>	<u>322</u>	<u>165</u>	<u>124</u>

As at 31 March 2015, 2016 and 2017 and 31 August 2017, the obligation under hire purchase contracts are secured by the Group's motor vehicles with carrying values of HK\$291,000, HK\$329,000, HK\$191,000 and HK\$155,000, respectively. The rights to the leased asset are reverted to the lessors in the event of default of the lease liabilities by the Group.

(b) **Bank borrowings**

Bank borrowings represent mainly the import loans and term loans drawn by the Group. The Group's borrowings, after taking into account of repayable on demand clause, are repayable as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year or on demand	<u>24,840</u>	<u>26,006</u>	<u>32,399</u>	<u>52,653</u>

The Group's bank borrowings repayable based on the scheduled repayment dates are as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Within 1 year	24,840	26,006	31,176	49,942
Between 1 and 2 years	—	—	376	820
Between 2 and 5 years	—	—	847	1,891
	<u>24,840</u>	<u>26,006</u>	<u>32,399</u>	<u>52,653</u>

As at 31 March 2015, 2016 and 2017 and 31 August 2017, the Group's banking facilities were secured by:

- (i) Financial assets at fair value through profit or loss with carrying values of HK\$4,742,000 and HK\$4,423,000 as at 31 March 2015 and 2016, respectively (Note 17);
- (ii) Key management life insurance contracts with carrying values of HK\$6,885,000, HK\$7,353,000, HK\$9,972,000 and HK\$12,785,000 as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively (Note 19);
- (iii) Cross guarantees by the Group's companies and its related companies;
- (iv) Personal guarantees by the Group's controlling shareholders;
- (v) Restricted cash deposit of HK\$7,500,000 (Note 21(b)); and
- (vi) Trade receivable with carrying values of HK\$24,003,000, HK\$24,970,000, HK\$37,057,000 and HK\$32,623,000 as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively.

In addition to the above, the Group is required to comply with certain restrictive financial covenants imposed by the banks.

The effective interest rates per annum of bank borrowings as at 31 March 2015, 2016 and 2017 and 31 August 2017 were 3.0% to 5.5%, 3.0% to 5.5%, 2.2% to 5.5% and 2.2% to 5.5%, respectively.

The carrying amounts of bank borrowings approximate their fair values due to their short maturities.

The personal guarantees provided by the Group's directors and cross guarantees by related companies will be released upon the Listing.

An analysis of the carrying amounts of the Group's bank borrowings and obligation under hire purchase contracts by currency is as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
United States dollar at floating rates	7,054	6,264	9,975	9,456
HK dollar at floating rates	2,995	2,042	1,840	18,426
Euro at floating rates	—	225	—	—
Japanese Yen at floating rates	14,791	17,475	20,584	24,771
HK dollar at fixed rate	368	322	165	124
	<u>25,208</u>	<u>26,328</u>	<u>32,564</u>	<u>52,777</u>

25 COMBINED CAPITAL AND RETAINED EARNINGS

The reorganisation has not been completed as at 31 August 2017. As mentioned in Note 1.3 above, the Historical Financial Information has been prepared as if the Group structure after the Reorganisation had been in existence throughout the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017.

Combined capital and retained earnings as at 31 March 2015, 2016 and 2017 and 31 August 2017 represent the combined share capital and retained earnings of the companies now comprising the Group. Apart from profit and total comprehensive income, sharing of profits to non-controlling interest for the year/period and dividends, there were no other movements in combined capital and retained earnings during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017.

26 NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations:

	Year ended 31 March			Five months ended	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Profit before income tax	19,334	25,296	33,789	9,282	9,239
Adjustments for:					
Depreciation of property, plant and equipment (<i>Note 16</i>)	2,616	4,395	7,035	2,741	3,548
Change in cash surrender value of key management life insurance contracts (<i>Note 19(a)</i>)	(175)	(208)	413	554	530
Fair value loss/(gain) on financial assets at fair value through profit or loss (<i>Note 7</i>)	9	442	(398)	(312)	(360)
Unrealised exchange (gain)/loss	(213)	1,141	267	(215)	583
Inventory write-off (<i>Note 9</i>)	80	38	106	39	42
Write-off of trade receivables (<i>Note 20</i>)	86	171	276	—	—
Finance costs (<i>Note 10</i>)	1,400	1,013	1,388	507	560
	<u>23,137</u>	<u>32,288</u>	<u>42,876</u>	<u>12,596</u>	<u>14,142</u>
Changes in working capital:					
Inventories	(2,681)	401	(1,354)	(1,003)	(4,188)
Trade receivables	9,693	(608)	(9,989)	(6,824)	(4,334)
Deposits, prepayments and other receivables	1,005	(1,669)	(3,096)	(1,501)	(3,392)
Trade and other payables	2,841	5,152	(195)	(2,718)	5,274
	<u>33,995</u>	<u>35,564</u>	<u>28,242</u>	<u>550</u>	<u>7,502</u>
Cash generated from operations	<u>33,995</u>	<u>35,564</u>	<u>28,242</u>	<u>550</u>	<u>7,502</u>

(b) Significant non-cash transactions

During the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, dividends of HK\$10,950,000, HK\$13,050,000, HK\$17,010,000, Nil and Nil were settled through amounts due to related parties (Note 30).

(c) Reconciliation of liabilities arising from financing activities

	<u>Non-cash changes</u>				
	<u>As at</u>	<u>Cash flows</u>	<u>Non-cash</u>	<u>Foreign</u>	<u>As at</u>
	<u>1 April 2014</u>		<u>dividends</u>	<u>exchange</u>	<u>31 March</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i>
Amounts due to related parties	17,923	(4,788)	10,950	—	24,085
Obligation under hire purchase contracts	688	(320)	—	—	368
Bank borrowings	41,996	(16,943)	—	(213)	24,840
Total liabilities from financing activities	60,607	(22,051)	10,950	(213)	49,293

	<u>Non-cash changes</u>				
	<u>As at</u>	<u>Cash flows</u>	<u>Non-cash</u>	<u>Foreign</u>	<u>As at</u>
	<u>1 April 2015</u>		<u>dividends</u>	<u>exchange</u>	<u>31 March</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
Amounts due to related parties	24,085	(5,527)	13,050	—	31,608
Obligation under hire purchase contracts	368	(46)	—	—	322
Bank borrowings	24,840	25	—	1,141	26,006
Total liabilities from financing activities	49,293	(5,548)	13,050	1,141	57,936

	<u>Non-cash changes</u>				
	<u>As at</u>	<u>Cash flows</u>	<u>Non-cash</u>	<u>Foreign</u>	<u>As at</u>
	<u>1 April 2016</u>		<u>dividends</u>	<u>exchange</u>	<u>31 March</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
Amounts due to related parties	31,608	(5,827)	17,010	—	42,791
Obligation under hire purchase contracts	322	(157)	—	—	165
Bank borrowings	26,006	6,126	—	267	32,399
Total liabilities from financing activities	57,936	142	17,010	267	75,355

	<u>Non-cash changes</u>				As at 31 August 2016
	As at 1 April 2016	Cash flows	Non-cash dividends	Foreign exchange movement	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Amounts due to related parties	31,608	(4,894)	—	—	26,714
Obligation under hire purchase contracts	322	(74)	—	—	248
Bank borrowings	26,006	12,180	—	(215)	37,971
Total liabilities from financing activities	57,936	7,212	—	(215)	64,933

	<u>Non-cash changes</u>				As at 31 August 2017
	As at 1 April 2017	Cash flows	Non-cash dividends	Foreign exchange movement	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Amounts due to related parties	42,791	(18,810)	—	—	23,981
Obligation under hire purchase contracts	165	(41)	—	—	124
Bank borrowings	32,399	19,671	—	583	52,653
Total liabilities from financing activities	75,355	820	—	583	76,758

27 FINANCIAL INSTRUMENTS BY CATEGORIES

	<u>As at 31 March</u>			As at 31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans and receivables				
— Trade receivables	52,823	53,260	62,973	67,307
— Deposits, other receivables and other assets	10,412	12,984	19,253	26,073
— Restricted cash	—	—	—	7,500
— Cash and cash equivalents	12,596	30,108	37,477	24,644
	75,831	96,352	119,703	125,524
Financial assets at fair value through profit or loss				
— Investment funds	5,566	5,124	5,522	5,882
Financial liabilities at amortised cost				
— Trade and other payables	11,263	15,867	15,558	20,627
— Amounts due to related parties	24,085	31,608	42,791	23,981
— Obligation under hire purchase contracts	368	322	165	124
— Bank borrowings	24,840	26,006	32,399	52,653
	60,556	73,803	90,913	97,385

28 COMMITMENTS

(a) Capital commitments

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Contracted but not provided for Property, plant and equipment	—	50	100	430

(b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Not later than one year	9,929	16,671	23,967	22,350
Later than one year and not later than five years	10,945	11,944	20,066	18,307
	20,874	28,615	44,033	40,657

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rentals payable, if any, when turnover of individual retail shop exceeds a pre-determined level as it is not possible to determine in advance the amount of such additional rentals.

29 FINANCIAL GUARANTEE

As at 31 March 2015, 2016 and 2017 and 31 August 2017, the Group had executed cross guarantees with related companies for certain shared banking facilities. As at 31 March 2015, 2016 and 2017 and 31 August 2017, banking facilities of approximately HK\$14,046,000, HK\$12,296,000, HK\$10,514,000 and HK\$9,762,000 were utilised by the related company, respectively.

The directors of the Company has conducted an assessment on the fair values of the financial guarantee provided to the related party on the date of the guarantee and each reporting date in accordance with the Group's accounting policy as stated in Note 2.22 and concluded that the estimated amount that would be payable to those banks for assuming the obligations was minimal. Accordingly, no provision was made in the Historical Financial Information.

The cross guarantees will be released upon the Listing.

30 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The following individuals and companies are related parties of the Group that had balances and/or transactions with the Group during the Track Record Period.

Name of related parties	Relationship with the Group
Mr. Chan Kam Chuen, Andrew	Controlling Shareholder
Mr. Chan Siu Cheung, Stephen	Controlling Shareholder
Mr. Chau Wing Kong, William	Controlling Shareholder
Mr. Fung King Wai, Paul	Non-controlling interest
Ms. Tin Hau Ling, Janny	Spouse of a Controlling Shareholder
賓士佳貿易(深圳)有限公司	Controlled by Mr. Chan Siu Cheung, Stephen and Mr. Chan Kam Chuen, Andrew
Best Sky Hong Kong Limited	Controlled by Mr. Chan Siu Cheung, Stephen
New Odaiba	Controlled by spouse of Mr. Chau Wing Kong, William
D & W Balloon Company (formerly known as B&S Trading Company)	Controlled by Mr. Chau Wing Kong, William
Best Source	Controlled by Mr. Chan Kam Chuen, Andrew, Mr. Chau Wing Kong, William and Mr. Chan Siu Cheung, Stephen

Save as disclosed elsewhere in this report, the Group had the following related transactions during the Track Record Period.

(b) Balances with related parties:

The Group

	As at 31 March			As at 31 August
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade related receivables				
— 賓士佳貿易(深圳)有限公司	1,504	332	236	115
— New Odaiba	—	—	3,762	4,720
— D & W Balloon Company	—	—	2,389	4,659
	1,504	332	6,387	9,494
Amount due from a related party (Note)				
— Best Sky Hong Kong Limited	97	98	218	268
	<u>1,601</u>	<u>430</u>	<u>6,605</u>	<u>9,762</u>
Amounts due to related parties (Note)				
— Mr. Chan Kam Chuen, Andrew	7,083	11,400	15,620	9,540
— Mr. Fung King Wai, Paul	4,156	5,206	6,316	6,136
— Mr. Chan Siu Cheung, Stephen	6,034	7,151	9,632	3,558
— Mr. Chau Wing Kong, William	6,347	7,386	11,223	4,747
— New Odaiba	465	465	—	—
	<u>24,085</u>	<u>31,608</u>	<u>42,791</u>	<u>23,981</u>

Note: Amounts due from/to related parties are non-trade in nature.

The Company

As at 31 August 2017, amount due to a related party was unsecured, interest free, denominated in HKD, and expected to settle within one year.

The maximum outstanding balance due from a related party during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 were HK\$97,000, HK\$98,000, HK\$218,000 and HK\$268,000, respectively.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, balances with related parties were unsecured, interest-free, denominated in HKD, and expected to settle within one year.

- (c) In addition to those disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Continued transactions					
Sale of goods to a related party					
— New Odaiba	35,337	19,199	19,031	7,689	5,702
Rental expense charged by a related parties					
— Best Source	4,902	4,902	4,902	2,042	2,042
— Best Source and Ms. Tin Hau Ling, Janny	979	979	979	408	408
Discontinued transactions					
Rental income received from a related party					
— Best Sky Hong Kong Limited	96	96	120	50	50
Sale of goods to related parties					
— 賓士佳貿易(深圳)有限公司	623	824	—	—	—
— D & W Balloon Company	5,415	4,210	6,247	2,580	2,164
	6,038	5,034	6,247	2,580	2,164

Sales of goods and rental expenses and income were based on terms mutually agreed with related parties and in the ordinary course of business.

(d) Key management compensation

Key management includes Executive Directors and senior management of the Group.

Compensation of the key management personnel of the Group, including director's remunerations as disclosed in Note 15 to the Historical Financial Information, was as follows:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Wages, salaries, bonuses and allowances	1,500	1,590	1,650	687	838
Pension costs — defined contribution plans	51	54	54	24	24
Staff welfare and benefits	61	100	69	33	2
	<u>1,612</u>	<u>1,744</u>	<u>1,773</u>	<u>744</u>	<u>864</u>

31 SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares	Equivalent nominal value of ordinary share HK\$'000
Authorised:		
39,000,000 shares of HK\$0.01 each (<i>Note</i>)	<u>39,000,000</u>	<u>390</u>
Issued:		
Issued and paid on 21 August 2017 (date of incorporation) and balance as at 31 August 2017 (<i>Note</i>)	<u>300</u>	<u>—</u>

Note: On 23 October 2017, as part of the Reorganisation, the Company issued 1,200 new ordinary shares as the consideration for acquisition of the subsidiaries now comprising the Group (Note 1.2). On 12 February 2018, the authorised share capital of the Company was increased from 39,000,000 shares of HK\$0.01 each to 10,000,000,000 shares of HK\$0.01 each.

32 EVENTS AFTER THE BALANCE SHEET DATE

Save as disclosed in this report, there have been no material events subsequent to the Track Record Period, which require adjustment or disclosure in accordance with HKFRSs.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to 31 August 2017 and up to the date of this report. Save as disclosed in this report in Note 13, no dividend or distribution has been declared or made by the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to 31 August 2017.

The following information does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountant's Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 as if the Share Offer had taken place on 31 August 2017.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 August 2017 or at any future dates following the Share Offer.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company as at 31 August 2017 HK\$'000	Unaudited pro forma adjusted net tangible assets per Share HK\$ (Note 3)
Based on the Offer Price of HK\$0.80 per Offer Share	<u>64,799</u>	<u>59,432</u>	<u>124,231</u>	<u>0.31</u>
Based on the Offer Price of HK\$1.00 per Offer Share	<u>64,799</u>	<u>78,530</u>	<u>143,329</u>	<u>0.36</u>

Notes:

- (1) The audited combined net tangible assets attributable to the owners of the Company as at 31 August 2017 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to the owners of the Company as at 31 August 2017 of approximately HK\$64,799,000 as the Group has no intangible asset as at 31 August 2017.
- (2) The estimated net proceeds from the Share Offer are based on 100,000,000 Offer Shares and the indicative Offer Price of HK\$0.80 per Offer Share and HK\$1.00 per Offer Share, being low and high end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses (excluding Listing expenses of approximately HK\$6,180,000 which has been accounted for in the combined statement of comprehensive income for the five months ended 31 August 2017).
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue have been completed on 31 August 2017 but take no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors to allot and issue or repurchase Shares as described in "Share Capital".
- (4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets per Share to reflect any trading results or other transactions of the Group entered into subsequent to 31 August 2017. In particular, the unaudited pro forma net tangible assets per Share has not taken into account a special dividend of HK\$15 million which the Directors declared on 14 February 2018. The unaudited pro forma adjusted net tangible assets per Share would have been HK\$0.27 and HK\$0.32 per Share based on the Offer Price of HK\$0.80 and HK\$1.00 per Offer Share, respectively, if such special dividend had been accounted for.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**To the Directors of B & S International Holdings Ltd.**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of B & S International Holdings Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 August 2017, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 26 February 2018, in connection with the initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering of the shares of the Company on the Group's financial position as at 31 August 2017 as if the proposed initial public offering of the shares of the Company had taken place at 31 August 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the five months ended 31 August 2017, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 August 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 26 February 2018

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 August 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its 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 states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 12 February 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued

shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/ are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers;
 - (ee) the fixing of the remuneration of the directors and of the auditors;
 - (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
 - (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as

proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall

constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the

manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 19 September 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to the paragraph headed "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.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 August 2017. Its registered address is at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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 of a Memorandum of Association and an Articles of Association. A summary of the relevant aspects of the Cayman Companies Law and certain provisions of our constitution are set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) On 21 August 2017, our Company was incorporated under the laws of the Cayman Islands with limited liability, with an authorised capital of HK\$390,000 divided into 39,000,000 Shares. Upon incorporation, one subscriber's Share, credited as fully paid, was immediately transferred, and 99 Shares were further allotted and issued, all at par value, to Mr. Andrew Chan at the consideration of HK\$0.01 per Share on the same day. On the same date of incorporation, 200 Shares were allotted and issued and each of Mr. Stephen Chan and Mr. William Chau subscribed for 100 Shares at par value. As a result, our Company was owned as to 33.33% by each of Mr. Andrew Chan (100 Shares), Mr. Stephen Chan (100 Shares) and Mr. William Chau (100 Shares), respectively.
- (b) Pursuant to the Reorganisation and as a consideration for:
 - (i) the acquisition by ACAC Investment of 100 Shares held by Mr. Andrew Chan, on 6 October 2017, one share of ACAC Investment was allotted and issued to Mr. Andrew Chan;
 - (ii) the acquisition by SCSC Holdings of 100 Shares held by Mr. Stephen Chan, on 6 October 2017, one share of SCSC Holdings was allotted and issued to Mr. Stephen Chan; and
 - (iii) the acquisition of CCST Investment of 100 Shares held by Mr. William Chau, on 6 October 2017, one share of CCST Investment was allotted and issued to Mr. William Chau.

Following completion of these transfers, our Company became owned as to 33.33% by each of ACAC Investment (100 Shares), SCSC Holdings (100 Shares) and CCST Investment (100 Shares), respectively.

- (c) Pursuant to the Reorganisation and as a consideration of:
- (i) the acquisition by Bands Investment of one share (in total being three shares) in Wise Fine held by Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau respectively, on 23 October 2017, 300 Shares (credited as fully paid) were allotted and issued, with 100 such Shares to ACAC Investment (at the direction of Mr. Andrew Chan), 100 such Shares to SCSC Holdings (at the direction of Mr. Stephen Chan) and 100 such Shares to CCST Investment (at the direction of Mr. William Chau) respectively;
 - (ii) the acquisition by Bands Investment of one share (in total being three shares) in Saw Corporation held by Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau respectively, on 23 October 2017, 300 Shares (credited as fully paid) were allotted and issued, with 100 such Shares to ACAC Investment (at the direction of Mr. Andrew Chan), 100 such Shares to SCSC Holdings (at the direction of Mr. Stephen Chan) and 100 such Shares to CCST Investment (at the direction of Mr. William Chau) respectively; and
 - (iii) the acquisition by Bands Investment of one share (in total being three shares) in Sunny Land held by Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau respectively, on 23 October 2017, 300 Shares (credited as fully paid) were allotted and issued, with 100 such Shares to ACAC Investment (at the direction of Mr. Andrew Chan), 100 such Shares to SCSC Holdings (at the direction of Mr. Stephen Chan) and 100 such Shares to CCST Investment (at the direction of Mr. William Chau) respectively.

Following completion of these transfers, our Company was as a result owned as to 33.33% by each of ACAC Investment (400 Shares), SCSC Holdings (400 Shares) and CCST Investment (400 Shares).

- (d) Pursuant to the Reorganisation and as a consideration of:
- (i) the acquisition by Bands Investment of 1,700 shares held by Mr. Andrew Chan in National Jade, on 7 November 2017, 100 Shares were allotted and issued to ACAC Investment (at the direction of Mr. Andrew Chan);
 - (ii) the acquisition by Bands Investment of 1,700 shares held by Mr. Andrew Chan (on behalf of Mr. Stephen Chan, being a beneficiary under the Confirmatory Deed in relation to the Trust Arrangement in National Jade) in National Jade, on 7 November 2017, 100 Shares were allotted and issued to SCSC Holdings (at the direction of Mr. Andrew Chan on behalf of Mr. Stephen Chan, being the beneficiary under the Confirmatory Deed in relation to the Trust Arrangement in National Jade); and

- (iii) the acquisition by Bands Investment of 1,700 shares held by Mr. Andrew Chan (on behalf of Mr. Stephen Chan, being another beneficiary under the Confirmatory Deed in relation to the Trust Arrangement in National Jade) in National Jade, on 7 November 2017, 100 Shares were allotted and issued to CCST Investment (at the direction of Mr. Andrew Chan on behalf of Mr. William Chau, being the beneficiary under the Confirmatory Deed in relation to the Trust Arrangement in National Jade).

Following completion of these transfers, our Company was as a result owned as to 33.33% by each of ACAC Investment (500 Shares), SCSC Holdings (500 Shares) and CCST Investment (500 Shares).

- (e) Prior to the Capitalisation Issue, the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of a further 9,961,000,000 Shares.
- (f) Immediately following completion of the Capitalisation Issue and the Share Offer, 400,000,000 Shares will be issued fully paid or credited as fully paid. Our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs 3 and 4 below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the Shareholders passed on 12 February 2018

On 12 February 2018, pursuant to resolutions in writing passed by all the Shareholders:

- (a) the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of a further 9,961,000,000 Shares;
- (b) the Memorandum of Association was adopted with immediate effect;
- (c) the Articles of Association were conditionally adopted with effect from Listing; and
- (d) conditional on the Stock Exchange granting the listing of, and permission to deal in, the Offer Shares in issue and to be issued as mentioned in this prospectus on the Main Board 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 day falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to approve the allotment and issue of the new Offer Shares;

- (ii) the rules of the Share Option Scheme were approved and adopted and our Directors or any such committee thereof were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for the Shares thereunder, to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;
- (iii) conditional on the share premium account being credited as a result of the Share Offer or otherwise having sufficient balance, our Directors were authorised to capitalise HK\$2,999,985 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,998,500 Shares for allotment and issue to Shareholder(s) whose name(s) appear(s) on the register of members of our Company at the close of business on 12 February 2018 (or as it/they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and our Directors be and they are thereby authorised to give effect to such capitalisation;
- (iv) a general unconditional mandate was given to our Directors to allot, issue or otherwise deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Capitalisation Issue or the Share Offer, Shares with an aggregate number of not exceeding the sum of (aa) 20% of the number of shares of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme, and (bb) the aggregate number of any share of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in subparagraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Companies Law or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first (the “**Applicable Period**”);
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase Shares with an aggregate number of not exceeding 10% of the number of shares of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme until expiry of the **Applicable Period**; and

- (vi) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares which may be purchased or repurchased pursuant to subparagraph (v) above.

4. Corporate reorganisation

Our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing and our Company became the holding company of our Group. For details, please see "History, Reorganisation and Corporate Structure".

5. Particulars of our subsidiaries

Our Group comprises our Company and five subsidiaries. Please see the Accountant's Report as set out in Appendix I to this prospectus for a summary of the corporate information of these companies.

6. Changes in share capital of the subsidiaries of our Company

Save as disclosed in "History, Reorganisation and Corporate Structure", there has been no alteration in the share capital of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles, the Listing Rules and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Under the laws of the Cayman Islands, any repurchases by our Company may be made either (1) out of profits of our Company; (2) out of the share premium account of our Company; (3) out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase; or (4) out of capital, if so authorised by the Articles and subject to the provisions of the Companies Law; and in the case of any premium payable on the repurchase, (1) out of the profits of our Company; (2) from sums standing to the credit of the share premium account of our Company or; (3) out of capital, if so authorised by the Articles and subject to the provisions of the Companies Law.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the Listing, would result in up to 40,000,000 Shares being repurchased by us during the period in which the Repurchase Mandate remains in force.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intend to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No core connected person 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.

8. Registration under the Companies Ordinance

Our Company is a registered non-Hong Kong company as defined under Part 16 of the Companies Ordinance with its principal place of business in Hong Kong at Unit 911, 9th Floor, Tai Yau Building, 181 Johnston Road, Wan Chai, Hong Kong. Mr. William Chau, our executive Director, who resides at Flat 10, 25/F, Hiu On House, Hiu Kwong Street, Hiu Lai Court, Sau Mau Ping, Kowloon, Hong Kong, has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

9. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the share swap deed dated 23 October 2017 entered into between Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau as vendors and the Company as purchaser in relation to the sale and purchase of all the issued shares in Wise Fine;
- (b) the share swap deed dated 23 October 2017 entered into between Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau as vendors and the Company as purchaser in relation to the sale and purchase of all the issued shares in Saw Corporation;
- (c) the share swap deed dated 23 October 2017 entered into between Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau as vendors and the Company as purchaser in relation to the sale and purchase of all the issued shares in Sunny Land;
- (d) the share swap deed dated 7 November 2017 entered into between Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau as vendors and the Company as purchaser in relation to the sale and purchase of 51% of the entire issued share capital in National Jade;
- (e) the Confirmatory Deed in relation to the Trust Arrangement in National Jade;
- (f) Business Transfer Deed with Saw Corporation;
- (g) Business Transfer Deed with Sunny Land;
- (h) the Deed of Non-competition;
- (i) the Deed of Indemnity; and
- (j) the Public Offer Underwriting Agreement.



10. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Expiry date
1.		Wise Fine	Hong Kong	35	304117158	20 April 2027
2.		Wise Fine	PRC	35	9345677	6 June 2022
3.		Wise Fine	Hong Kong	29, 30	303164328	13 October 2024
4.		Wise Fine	Hong Kong	30	2003B05582	22 April 2019
5.		Wise Fine	PRC	30	3242607	6 September 2023
6.		Wise Fine	Hong Kong	29, 30	301090683	9 April 2028
7.		Wise Fine	PRC	29, 30	6668853	27 March 2020
8.	 	Wise Fine	Hong Kong	30	301132910	4 June 2028

As at the Latest Practicable Date, our Group was in the course of applying for the registration of the following trademarks:

No.	Trademark	Applicant	Place of registration	Class	Application number	Date of application
1.		Wise Fine	Macau	35	N/126991	17 August 2017
2.		Wise Fine	Taiwan	35	106052599	22 August 2017

As at the Latest Practicable Date, our Group had been licenced with the rights to use the following trademarks which are material in relation to our business:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Expiry date
1.		Ten Ren Tea Co., Ltd.	Hong Kong	30	1989B2127	12 May 2018
2.		Ten Ren Tea Co., Ltd.	Hong Kong	32	200311149	17 December 2019
3.		Ten Ren Tea Co., Ltd.	Hong Kong	42	200113956	22 December 2027
4.		Ten Ren Tea Co., Ltd.	Hong Kong	21	300227051	3 June 2024
5.		Ten Ren Tea Co., Ltd.	Hong Kong	35	300200168	19 April 2024
6.		Ten Ren Tea Co., Ltd.	Hong Kong	30	2002B10313	18 May 2027
7.		Ten Ren Tea Co., Ltd.	Hong Kong	32	2002B10314	18 May 2027
8.		Ten Ren Tea Co., Ltd.	Hong Kong	42	2002B10315	18 May 2027
9.		Ten Ren Tea Co., Ltd.	Hong Kong	21, 35	300227079	3 June 2024
10.		Ten Ren Tea Co., Ltd.	Hong Kong	43	302438000	15 November 2022
11.	Uncle Tetsu	Yugen Kaisha Romanza (Romanza Co., Ltd.)	Hong Kong	30	302544543	10 March 2023
12.		Yugen Kaisha Romanza (Romanza Co., Ltd.)	Hong Kong	30	302667105	9 July 2023
13.		Yugen Kaisha Romanza (Romanza Co., Ltd.)	Hong Kong	43	303012245	27 May 2024
14.		九湯國際有限公司 Jiutang International Company Limited*	Hong Kong	43	304170799	12 June 2027

* The English name of the entity mentioned herein and marked with “*” is a translation from its Chinese name and is for identification purposes only.

Domain names

As at the Latest Practicable Date, our Group was the registrant of the following domain name:

<u>No.</u>	<u>Domain name</u>	<u>Registrant</u>	<u>Registration date</u>	<u>Expiry date</u>
1.	bandshk.com	Wise Fine	9 October 2000	8 October 2018

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF AND EXPERT

11. Directors

(a) *Disclosure of interests*

- (i) Our executive Directors are interested in the Reorganisation. Please see “History, Reorganisation and Corporate Structure” for details.
- (ii) Save as disclosed in this prospectus, none of our Directors or their respective close associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) *Particulars of service contracts and letters of appointment*

Each of our executive Directors has entered into a service contract with our Company pursuant to which each of them agreed to act as an executive Director for an initial term of three years commencing from the Listing Date.

Each of our executive Directors is entitled to a basic salary subject to an annual review by the remuneration committee of the Board during the term. In addition, each of our executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all our executive Directors for any financial year of our Company may not exceed 5% of the audited combined or consolidated net profit of our Group (after taxation and minority interests but before extraordinary and exceptional items) in respect of that financial year. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The annual salaries of our executive Directors provided under the service contracts are as follows:

<u>Name</u>	<u>Annual salary</u> (HK\$'000)
Mr. Andrew Chan	660
Mr. Stephen Chan	504
Mr. William Chau	504
Ms. Janny Tin	144

Each of the independent non-executive Directors has entered into a letter of appointment with our Company for an initial term of three years commencing from the Listing Date with the following annual salaries:

<u>Name</u>	<u>Annual salary</u> (HK\$'000)
<i>Independent non-executive Director</i>	
Mr. Yu Ka Ho Bernard	144
Mr. See Hung Yan Peter	144
Mr. Chung Kwok Mo John	144

Save for directors' fees, none of the independent non-executive Directors are expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to enter into a service contract or letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(c) *Directors' remuneration*

- (i) During the year ended 31 March 2017, the aggregate remuneration paid by our Group to our Directors was approximately HK\$1.8 million.
- (ii) Under the arrangements currently in force, the aggregate remuneration (excluding any discretionary bonuses) payable by our Group to our Directors for the year ending 31 March 2018 is estimated to be approximately HK\$1.8 million.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any remuneration during the Track Record Period.

(d) *Interests and short positions of Directors and chief executive in the shares, underlying shares or debentures of our Company and our associated corporations*

Immediately following the completion of the Capitalisation Issue and the Share Offer (but without taking into account any Shares which may be allotted and issued upon the exercise of options to be granted under the Share Option Scheme), the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of

Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to our Company and the Stock Exchange once our Shares are listed, will be as follows:

<u>Name</u>	<u>Nature of interest</u>	<u>Number of Shares</u> ^(Note 1)	<u>Percentage of shareholding in the Company</u>
Mr. Andrew Chan	Interest in a controlled corporation ^(Note 2)	100,000,000 (L)	25%
Mr. Stephen Chan	Interest in a controlled corporation ^(Note 3)	100,000,000 (L)	25%
Mr. William Chau	Interest in a controlled corporation ^(Note 4)	100,000,000 (L)	25%
Ms. Janny Tin	Interest of spouse ^(Note 5)	100,000,000 (L)	25%

Notes:

1. The letter “L” denotes the Shareholder’s long position in the Shares.
2. Mr. Andrew Chan beneficially owns 100% of the issued share capital of ACAC Investment. By virtue of the SFO, Mr. Andrew Chan is deemed to be interested in 100,000,000 Shares held by ACAC Investment.
3. Mr. Stephen Chan beneficially owns 100% of the issued share capital of SCSC Holdings. By virtue of the SFO, Mr. Stephen Chan is deemed to be interested in 100,000,000 Shares held by SCSC Holdings.
4. Mr. William Chau beneficially owns 100% of the issued share capital of CCST Investment. By virtue of the SFO, Mr. William Chau is deemed to be interested in 100,000,000 Shares held by CCST Investment.
5. Ms. Janny Tin is the spouse of Mr. Andrew Chan. By virtue of the SFO, Ms. Janny Tin is deemed to be interested in the same number of Shares in which Mr. Andrew Chan is deemed to be interested under the SFO.

12. Interests discloseable under the SFO and Substantial Shareholders

So far as is known to our Directors, immediately following the completion of the Capitalisation Issue and the Share Offer (but without taking account any Shares which may be taken up under the Share Offer and any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme), the following persons (other than our Directors or chief executive officer of our Company) will have an interest or short position in the 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 expected, directly or indirectly, to be interested in 10% or more of the issued voting shares of any member of our Group.

(a) Interests in our Company

Name	Nature of interest	Number of Shares immediately following completion of the Capitalisation Issue and the Share Offer ^(Note 1)	Percentage of shareholding in the Company immediately following completion of the Capitalisation Issue and the Share Offer
ACAC Investment	Beneficial owner ^(Note 2)	100,000,000 (L)	25%
SCSC Holdings	Beneficial owner ^(Note 3)	100,000,000 (L)	25%
Ms. Cheung Choi Ngo	Interest of spouse ^(Note 4)	100,000,000 (L)	25%
CCST Investment	Beneficial owner ^(Note 5)	100,000,000 (L)	25%
Ms. Tan Ching Bee	Interest of spouse ^(Note 6)	100,000,000 (L)	25%

Notes:

1. The letter “L” denotes the Shareholder’s long position in the Shares.
2. The entire issued share capital of ACAC Investment is wholly-owned by Mr. Andrew Chan.
3. The entire issued share capital of SCSC Holdings is wholly-owned by Mr. Stephen Chan.
4. Ms. Cheung Choi Ngo is the spouse of Mr. Stephen Chan. By virtue of the SFO, Ms. Cheung Choi Ngo is deemed to be interested in the same number of Shares in which Mr. Stephen Chan is deemed to be interested under the SFO.
5. The entire issued share capital of CCST Investment is wholly-owned by Mr. William Chau.
6. Ms. Tan Ching Bee is the spouse of Mr. William Chau. By virtue of the SFO, Ms. Tan Ching Bee is deemed to be interested in the same number of Shares in which Mr. William Chau is deemed to be interested under the SFO.

(b) Interest in other member(s) of our Group (except our Company)

Name	Name of other member of our Group (except the Company)	Nature of interest ^(Note 7)	Number of shares held ^(Note 8)	Percentage of shareholding
Mr. Paul Fung	National Jade	Beneficial owner	4,900 (L)	49%

Notes:

7. The remaining 5,100 shares, representing 51% of the issued share capital, in National Jade are indirectly held by our Company.
8. The letter “L” denotes the shareholder’s long position in National Jade.

13. Connected transactions and related party transactions

Save as disclosed in “Connected Transactions” and in note 30 of the Accountant’s Report as set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Group has not engaged in any other material connected transactions or related party transactions.

14. Disclaimers

- (a) Taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued pursuant to the exercise of options to be grant under the Share Option Scheme, our Directors are not aware of any person who, save as disclosed in “— 12. Interests discloseable under the SFO and Substantial Shareholders”, will, immediately following the completion of the Capitalisation Issue and the Share Offer, have an interest or a short position 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, directly or indirectly, be interested in 10% or more of the issued voting shares of any member of our Group.
- (b) Save as disclosed in “— 11. Directors”, none of our Directors has, for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under such provisions of the SFO, any interests or short position in the Shares or underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, once the Shares are listed.

- (c) None of our Directors nor the experts named in “— 21. Qualification of experts” has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to or by, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to or by any member of our Group nor will any Director apply for the Shares either in his own name or in the name of a nominee.
- (d) Save in connection with the material contracts referred to in “— 9. Summary of material contracts” and the service contracts and letters of appointment referred to in “— 11. Directors”, none of our Directors nor the experts named in “— 21. Qualification of experts” 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.
- (e) None of the experts named in “— 21. Qualification of experts” has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group.

OTHER INFORMATION

15. Share option scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our Shareholders on 12 February 2018:

(i) Purpose of the scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group.

(ii) Who may join

Our Directors (which expression shall, for the purpose of this paragraph 15, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants (“**Eligible Participants**”), to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries (“**Subsidiaries**”) or any entity (“**Invested Entity**”) in which our Group holds an equity interest (“**Eligible Employee**”);
- (bb) any independent non-executive director of our Company, any Subsidiary or any Invested Entity;

- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;
- (dd) any customer of any member of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more Eligible Participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless our Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the Eligible Participants to the grant of options shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(iii) Maximum number of Shares

- (aa) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group shall not exceed 10% of the Shares in issue from time to time.

(bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the day on which dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 40,000,000 Shares) (the “**General Scheme Limit**”), provided that:

(aaa) Subject to paragraph (aa) above and without prejudice to paragraph (bbb) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 30% of the Shares in issue as at the date of approval of the limit, and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(bbb) Subject to paragraph (aa) above and without prejudice to paragraph (aaa) above, our Company may seek separate Shareholders’ approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in paragraph (aaa) above to Eligible Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) *Maximum entitlement of each participant*

Subject to paragraph (v)(bb) below, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the Shares in issue for the time being (“**Individual Limit**”). Where any further grant of options to a grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. Our Company must send a circular to the Shareholders and the circular must disclose the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders’ approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under the Listing Rules.

(v) *Grant of options to connected persons*

- (aa) Without prejudice to paragraph (bb) below, any grant of options under the Share Option Scheme to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed grantee of the option).
- (bb) Without prejudice to paragraph (aa) above, where any grant of options to a Substantial Shareholder or an independent non-executive Director of our Company or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- (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 must be approved by the Shareholders in general meeting. Our Company must send a circular to the Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Any change in the terms of

options granted to a Substantial Shareholder or an independent non-executive Director of our Company or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on the date on which the offer for the grant of option is made but shall end in any event not later than 10 years from the date on which the offer for the grant of option is made subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme shall be determined at the absolute discretion of our Directors, provided that it shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the offer for the grant of option is made, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date on which the offer for the grant of option is made; and (iii) the nominal value of the Shares.

A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

- (aa) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other

distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary share capital of our Company of such nominal amount as shall result from a sub-division, consolidation, re-classification, reduction or re-construction of the share capital of our Company from time to time.

(x) Restrictions on the time of grant of options

Our Company may not make any offer for grant of options after inside information has come to our knowledge until our Company has announced the information. In particular, our Company may not make any offer during the period commencing one month immediately before the earlier of (aa) the date of the meeting of the Board (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for our Company to announce our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement.

Our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in subparagraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) shall lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent and serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (aa) the grantee of any option (other than an Eligible Employee) or his close associates (or his associates if the grantee is a connected person) has committed any breach of any contract entered into between the grantee or his close associate on the one part and our Group or any Invested Entity on the other part; or (bb) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever, then the option granted to the grantee under the Share Option scheme shall lapse as a result of any event specified in sub-paragraph (aa), (bb) or (cc) above.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders of our Company. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, a grantee shall be entitled to exercise his option

(to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by Eligible Participants

If the grantee is a company wholly owned by one or more Eligible Participants:

- (i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a rights issue, subdivision or consolidation of Shares or reduction of the share capital of our Company or otherwise howsoever but shall not in any event exceed the limits imposed by the Listing Rules whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or

an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subscription price of any option, and/or (unless the relevant grantee elects to waive such adjustment) the number of Shares consisted in an option or which remains consisted in an option, provided that (i) any adjustments shall give a grantee the same proportion of the issued Share for which he would have been entitled subscribe had he exercised the options held by him immediately prior to such adjustment; (ii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any adjustment. In addition, in respect of any such adjustments, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of our Directors. When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (aaa) and (bbb) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme and Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period referred to in paragraph (vi);
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvii) and (xviii);
- (cc) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee in respect of that or any other options.

(xxiv) Others

- (aa) The Share Option Scheme is conditional, among others, on the Stock Exchange granting the listing of and permission to deal in, such number of Shares to be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in 17.02(2)(d) of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules, the "Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule" set out in the letter from the Stock Exchange to all listed issues dated 5 September 2005 and other relevant guidance of the Stock Exchange.
- (ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(b) *Present status of the Share Option Scheme*

(i) *Approval of the Stock Exchange required*

The Share Option Scheme, which complies with Chapter 17 of the Listing Rules, is conditional on the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) *Application for approval*

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares to be allotted and issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) *Grant of option*

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) *Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

16. Estate duty, tax and other indemnities

ACAC Investment, Mr. Andrew Chan, SCSC Holdings, Mr. Stephen Chan, CCST Investment and Mr. William Chau (collectively the “**Indemnifiers**”) have executed the Deed of Indemnity in favour of our Company (for itself and as trustee for each of its present subsidiaries).

Pursuant to the Deed of Indemnity, the Indemnifiers have agreed to jointly and severally indemnify each of the members of our Group against the following:

- (a) any liability for Hong Kong estate duty which might be incurred by us by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to us on or before the date on which the Share Offer becomes unconditional (the “**Effective Date**”);

- (b) taxation which might fall on us in respect of any income, profits or gains earned, accrued or received on or before the Effective Date, subject to certain exceptions set out below; and
- (c) any and all expenses, payments, sums, outgoings, fees, demands, claims, actions, proceedings, judgments, damages, losses, costs (including but not limited to legal and other professional costs), charges, contributions, liabilities, fines, penalties (collectively the “Costs”) in connection with any failure, delay or defects of non-compliance under, or any breach of any provision of, all applicable laws, rules or regulations by any member of our Group on or before the Effective Date.

The Indemnifiers will, however, not be liable in respect of any taxation referred to in paragraph (b) above:

- (1) to the extent that provision or reserve has been made for such taxation in the audited accounts of our Group for the Track Record Period and to the extent that such taxation is incurred or accrued since 1 September 2017 which arises in our ordinary course of business; or
- (2) to the extent that a claim or liability for such taxation falls on us in respect of the accounting period commencing on or after 1 September 2017 unless such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by the Indemnifiers or us otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the Effective Date; or
- (3) to the extent that a claim or liability for such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by us after the date of the Deed of Indemnity; or
- (4) to the extent that a claim or liability for such taxation arises as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by any relevant authority coming into force after the date of the Deed of Indemnity or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or
- (5) to the extent of any provision or reserve made for taxation in the audited accounts of our Group up to the three financial years ended 31 March 2017 and the five months ended 31 August 2017 and which is finally established to be an over-provision or an excessive reserve.

17. Litigation

Neither our Company nor any of its subsidiaries is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any of its subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Group.

18. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). The Sole Sponsor is independent of our Company in accordance with Rule 3A.07 of the Listing Rules.

The Sole Sponsor will be paid by our Company a total fee of HK\$4.2 million to act as the sponsor to our Company in connection with the Listing.

19. Preliminary expenses

The estimated preliminary expenses of our Company are approximately HK\$40,000 and are payable by our Company.

20. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoters of our Company in connection with the Share Offer or the related transactions described in this prospectus.

21. Qualification of experts

The qualifications of the experts who have given opinions or advice in this prospectus are as follows:

Name	Qualifications
Lego Corporate Finance Limited	Licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorney-at-law
Frost & Sullivan Limited	Independent industry consultant
International Valuation Limited	Independent valuer
Bruce K.W. Lau	Barrister-at-law

22. Consent of experts

Each of the experts named in “— 21. Qualification of experts” has given and has not withdrawn its written consents to the issue of this prospectus with the inclusion of its report, letter, valuation, opinion or summaries of opinion (as the case may be) and the references to its names included herein in the form and context in which they respectively appear.

None of the experts named in “— 21. Qualification of experts” has any shareholding interests in any member of our Group and the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

23. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

24. Taxation of holders of Shares

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

25. Share registers

The principal register of members of our Company is maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and the branch register of members of our Company is maintained in Hong Kong by Union Registrars Limited. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the branch registrar in Hong Kong and may not be lodged in the Cayman Islands.

26. Miscellaneous

- (i) Save as disclosed in “History, Reorganisation and Corporate Structure”, “Structure and Conditions of the Share Offer” and “— 2. Changes in share capital of our Company”, within two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Share in our Company or any of our subsidiaries.
- (ii) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (iii) Save as disclosed in “Summary”, “Risk Factors” and “Financial Information”, there has been no material adverse change in the financial position or prospects of our Group since 31 August 2017 (being the date to which the latest audited combined financial statements of our Group were made up).
- (iv) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

- (v) There is no arrangement under which future dividends of our Company are waived or agreed to be waived.
- (vi) There are no procedures for the exercise of any right of exemption of the transfer of subscription rights.
- (vii) There are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business.
- (viii) There are no founder, management or deferred shares in our Company or any of its subsidiaries.
- (ix) Our Group does not have any outstanding convertible debt securities or debentures.
- (x) No securities of our Group are listed, and no listing of any such securities is proposed to be sought, on any other stock exchange.
- (xi) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.
- (xii) None of the debt and equity securities of the companies comprising our Group is presently listed on any stock exchange or traded on any trading system.

27. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration include:

- (a) a copy of each of the **WHITE** and **YELLOW** Application Forms;
- (b) the written consents referred to in “Statutory and General Information — Other information — 22. Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in “Statutory and General Information — Further information about the business of our Group — 9. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Locke Lord at 21/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles;
- (b) the Accountant’s Report from PricewaterhouseCoopers, in respect of the historical financial information for the three years ended 31 March 2017 and the five months ended 31 August 2017, the text of which is set out in Appendix I to this prospectus;
- (c) the audited combined financial statements of our Group for the three years ended 31 March 2017 and the five months ended 31 August 2017;
- (d) the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice prepared by Conyers Dill & Pearman, summarising certain aspects of the Cayman Companies Law, as referred to in Appendix III to this prospectus;
- (f) the legal opinion issued by Bruce K.W. Lau, the barrister-at-law;
- (g) the industry report prepared by Frost & Sullivan referred to in “Industry Overview”;
- (h) the rental appraisal reports relating to the properties leased from our connected persons prepared by International Valuation Limited;
- (i) the written consents referred to in “Statutory and General Information — Other information — 22. Consents of experts” in Appendix IV to this prospectus;

- (j) the service contracts and letters of appointment referred to in “Statutory and General Information — Further information about Directors, management and staff and experts — 11. Directors — (b) Particulars of service contracts and letters of appointment” in Appendix IV to this prospectus;
- (k) the material contracts referred to in “Statutory and General Information — Further information about the business of our Group — 9. Summary of material contracts” in Appendix IV to this prospectus;
- (l) the rules of the Share Option Scheme; and
- (m) the Cayman Companies Law.



B & S International Holdings Ltd.
賓仕國際控股有限公司