

Asia Grocery Distribution Limited 亞洲雜貨有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 8413

Share Offer

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



Co-Manager



中天證券有限公司
CHINA SKY SECURITIES LIMITED

IMPORTANT

Asia Grocery Distribution Limited 亞洲雜貨有限公司

(Incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares	: 280,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Public Offer Shares	: 28,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 252,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Price	: Not more than HK\$0.29 per Offer Share and expected to be not less than HK\$0.21 per Offer Share (payable in full upon application in Hong Kong dollars, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, and subject to refund)
Nominal Value	: HK\$0.01 per Share
Stock Code	: 8413

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



中國保盛證券有限公司
CHINA PROSPECT SECURITIES LIMITED

Co-Manager



中天證券有限公司
CHINA SKY SECURITIES LIMITED

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

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

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or about Friday, 7 April 2017 or such later date as the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company may agree. The Offer Price will not be more than HK\$0.29 per Offer Share and is expected to be not less than HK\$0.21 per Offer Share. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range and/or the number of Offer Shares stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. If this occurs, notice of reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the Stock Exchange's website at www.hkexnews.hk and our website at www.agdl.com.hk. If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or around the Price Determination Date, the Share Offer will not become unconditional and will lapse immediately. In the case of such event, a notice will be published on the Stock Exchange's website at www.hkexnews.hk and our website at www.agdl.com.hk.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities laws of the US and may not be offered, sold, pledged, or transferred within the US, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in accordance with any applicable US securities law.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Offer Shares should note that the obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed "Underwriting – Underwriting Arrangements and Expenses – The Public Offer – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus.

31 March 2017

CHARACTERISTICS OF GEM

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

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

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

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be published in English on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.agdl.com.hk.

Date ^(Note 1)

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from 9:00 a.m. on
Friday, 31 March 2017

Application lists of the Public Offer open ^(Note 2) 11:45 a.m. on
Thursday, 6 April 2017

Latest time for lodging **WHITE** and **YELLOW**

Application Forms and to give **electronic**
application instructions to HKSCC ^(Note 3) 12:00 noon on
Thursday, 6 April 2017

Application lists of the Public Offer close ^(Note 2) 12:00 noon on
Thursday, 6 April 2017

Expected Price Determination Date on or around ^(Note 4) Friday, 7 April 2017

Announcement of (i) the Offer Price; (ii) the level of indications of interest in the Placing; (iii) the level of applications in the Public Offer; (iv) the basis of allotment of the Public Offer Shares; and (v) the number of Offer Shares reallocated, if any, between the Public Offer and the Placing to be published on the website of our Company at www.agdl.com.hk ^(Note 7) and the website of the Stock Exchange at www.hkexnews.hk Wednesday, 12 April 2017

Results of allocation in the Public Offer will be available at www.tricor.hk/ipo/result with a “search by ID” function from Wednesday, 12 April 2017

Announcement of results of allotment of the Public Offer (with successful applicants’ identification document numbers, where applicable) to be available through a variety of channels as described in the section headed “How to Apply for the Public Offer Shares – 10. Publication of results” in this prospectus from Wednesday, 12 April 2017

Despatch/collection of share certificates and/or refunds cheques on or before ^(Notes 4 to 10) Wednesday, 12 April 2017

Dealings in the Shares on GEM to commence at 9:00 a.m. on
Thursday, 13 April 2017

EXPECTED TIMETABLE

Notes:

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.
2. 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 Thursday, 6 April 2017, the application lists will not open or close on that day. Further information is set forth in the section headed “How to Apply for the Public Offer Shares – 9. Effect of bad weather on the opening of the application lists” in this prospectus.
3. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Public Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
4. Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Friday, 7 April 2017. If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or around Friday, 7 April 2017, the Share Offer will not become unconditional and will lapse immediately. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$0.29 per Offer Share, applicants must pay the maximum Offer Price of HK\$0.29 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but the surplus application monies will be refunded, without interest, as provided in the section headed “How to Apply for the Public Offer Shares” in this prospectus.
5. Share certificates for the Offer Shares are expected to be issued on Wednesday, 12 April 2017 but will only become valid certificates of title at 8:00 a.m. on Thursday, 13 April 2017 provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated. If the Public Offer does not become unconditional or either of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.
6. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.
7. None of our Company’s website or any of the information contained in our Company’s website forms part of this prospectus.
8. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) and provide all information required may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 April 2017 or any other day as announced by us as the date of despatch of Share certificates/refund cheques. Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt 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.
9. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms and provide all information required may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
10. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed “How to Apply for the Public Offer Shares – 13. Despatch/collection of share certificates and refund monies” of this prospectus.

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sole Sponsor, the Joint Bookrunners and the Underwriters have not authorised any persons to provide you with information that is different from what is contained in this prospectus. Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors or affiliates of any of them, or any other persons or parties involved in the Share Offer. The contents of our Company's website at www.agdl.com.hk do not form part of this prospectus.

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SUMMARY AND HIGHLIGHTS

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

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

OVERVIEW

We are an established food and beverage grocery distributor in Hong Kong with over 40 years of experience in the food and beverage grocery distribution industry since the original “Hung Fat Ho” grocery store was established in the 1970s. We specialise in distributing an extensive portfolio of food and beverage groceries to a wide array of customers, including Restaurants, Non-commercial dining establishments, hotels and private clubs, food processing operators and wholesalers in Hong Kong. We also offer product sourcing, repackaging, quality assurance, warehousing and storage, transportation as well as other value-added services to provide one-stop food and beverage grocery distribution solutions to our customers.

We have developed a diversified product portfolio of over 2,100 food and beverage groceries and over 3,800 SKUs of branded and non-branded products. Our products of over 300 brands are originated from various jurisdictions, such as Hong Kong, China, Japan, Korea, Thailand, Malaysia, the United Kingdom, the United States, Spain, France, Turkey and Italy during the Track Record Period. Our product portfolio widely ranges from food commodities, specialty food ingredients to kitchen products which can be broadly categorised into (i) commodities and cereal products; (ii) packaged food; (iii) sauce and condiment; (iv) dairy products and eggs; (v) beverage and wine; and (vi) kitchen products.

The table below sets out our revenue, gross profit and gross profit margin by our main product categories during the Track Record Period:

Product segments	Revenue							
	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Commodities and cereal products	48,859	31.3	54,683	29.8	27,224	30.9	27,359	29.2
Packaged food	45,191	28.9	52,721	28.7	23,768	27.0	24,758	26.5
Sauce and condiment	26,499	17.0	31,648	17.2	16,735	19.0	18,767	20.1
Dairy products and eggs	23,516	15.1	28,369	15.4	13,051	14.8	13,698	14.6
Beverage and wine	8,639	5.5	11,071	6.0	5,050	5.7	5,983	6.4
Kitchen products	3,507	2.2	5,252	2.9	2,241	2.6	3,018	3.2
Total	156,211	100.0	183,744	100.0	88,069	100.0	93,583	100.0

SUMMARY AND HIGHLIGHTS

<i>Product types</i>	Gross profit and gross profit margin							
	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Commodities and cereal products	10,753	22.0	13,233	24.2	6,167	22.7	6,458	23.6
Packaged food	10,844	24.0	12,445	23.6	5,554	23.4	6,203	25.1
Sauce and condiment	5,132	19.4	6,227	19.7	2,971	17.8	3,612	19.2
Dairy products and eggs	4,399	18.7	6,277	22.1	2,881	22.1	3,420	25.0
Beverage and wine	1,876	21.7	2,436	22.0	1,044	20.7	1,396	23.3
Kitchen products	888	25.3	1,337	25.5	585	26.1	867	28.7
	<u>33,892</u>	21.7	<u>41,955</u>	22.8	<u>19,202</u>	21.8	<u>21,956</u>	23.5

During the Track Record Period and up to the Latest Practicable Date, we sourced food and beverage groceries from over 220 suppliers, comprising (i) food importers and wholesalers; (ii) domestic and international brand owners and manufacturers; and (iii) agents and distributors primarily located in Hong Kong. Our Directors believe that food importers and wholesalers constitute an important channel for us to procure a wide spectrum of products across the world in a cost efficient way. We also purchase directly from domestic and international brand owners and manufacturers which generally allow us to have a higher margin. In 2013, we started to source branded food groceries directly from European brand owners. In 2014, we entered into a non-exclusive distributorship agreement with our largest supplier during the Track Record Period which we renewed in 2016. The salient terms of the distributorship agreement are set out in the section headed “Business – Our Suppliers” in this prospectus. For the years ended 31 March 2015 and 2016 and the six months ended 30 September 2016, our purchases from our five largest suppliers amounted to HK\$32.8 million, HK\$37.7 million and HK\$20.9 million, respectively, and were less than 30% of our total purchases, accounting for approximately 25.4%, 26.0% and 28.0% of our total purchases, respectively. During the same period, purchase from our largest supplier amounted to HK\$10.1 million, HK\$12.6 million and HK\$6.6 million, respectively which accounted for approximately 7.9%, 8.7% and 8.8% of our total purchases, respectively. Up to the Latest Practicable Date, we had established a relationship of over three years with each of our five largest suppliers during the Track Record Period.

As at the Latest Practicable Date, we served over 1,100 customers in Hong Kong which vary in terms of sizes, nature, operating models and types of cuisine. Our core customers are broadly categorised into (i) Restaurants, including Cha Chaan Teng, tea houses, cafes, bars, and other individual or chain restaurants serving Chinese, non-Chinese (including western or Asian styles) or multi national cuisines; (ii) Non-commercial dining establishments, including canteens in schools, hospitals as well as elderly caring centres; (iii) hotels and private clubs, including five-star hotels and recreational clubs; (iv) food processing operators; and (v) wholesalers and other customers. The vast majority of our customers purchased our products on a per purchase basis and upon requests by a few customers, our Group entered into short-term contracts with them with an average term of not more than six months to satisfy their internal requirements.

For the years ended 31 March 2015 and 2016 and the six months ended 30 September 2016, sales to our five largest customers amounted to HK\$22.3 million, HK\$25.5 million and HK\$12.7 million, respectively, and were less than 30% of our total sales, accounting for approximately 14.2%, 13.9% and 13.5% of our sales, respectively. Sales to our largest customer amounted to HK\$6.9 million, HK\$9.2 million and HK\$3.9 million, respectively which accounted for approximately 4.4%, 5.0% and 4.1% of our sales, respectively for the same periods. Up to the Latest Practicable Date, we had established a relationship of over three years with each of our five largest customers during the Track Record Period.

SUMMARY AND HIGHLIGHTS

The table below sets out our revenue, gross profit and gross profit margin by type of customers during the Track Record Period:

	Revenue							
	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Food service operators								
Restaurants								
– Chinese	47,427	30.4	51,926	28.3	25,426	28.9	24,380	26.1
– Non-Chinese	29,110	18.6	37,415	20.4	17,072	19.4	23,409	25.0
– Multi-cuisine	37,316	23.9	45,315	24.7	23,152	26.3	22,947	24.5
	<u>113,853</u>	<u>72.9</u>	<u>134,656</u>	<u>73.4</u>	<u>65,650</u>	<u>74.6</u>	<u>70,736</u>	<u>75.6</u>
Non-commercial dining establishments	12,254	7.8	13,807	7.5	6,367	7.2	6,274	6.7
Hotels and private clubs	7,450	4.8	9,536	5.2	4,003	4.5	4,589	4.9
	<u>133,557</u>	<u>85.5</u>	<u>157,999</u>	<u>86.1</u>	<u>76,020</u>	<u>86.3</u>	<u>81,599</u>	<u>87.2</u>
Food processing operators	14,548	9.3	15,201	8.3	8,266	9.4	8,488	9.1
Others^(Note)	8,106	5.2	10,544	5.6	3,783	4.3	3,496	3.7
Total	<u><u>156,211</u></u>	<u><u>100.0</u></u>	<u><u>183,744</u></u>	<u><u>100.0</u></u>	<u><u>88,069</u></u>	<u><u>100.0</u></u>	<u><u>93,583</u></u>	<u><u>100.0</u></u>
Gross profit and gross profit margin								
	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Food service operators								
Restaurants								
– Chinese	10,192	21.5	11,468	22.1	5,274	20.7	5,293	21.7
– Non-Chinese	6,834	23.5	9,388	25.1	4,089	24.0	6,013	25.7
– Multi-cuisine	8,064	21.6	10,655	23.5	5,211	22.5	5,649	24.6
	<u>25,090</u>		<u>31,511</u>		<u>14,574</u>		<u>16,955</u>	
Non-commercial dining establishments	2,877	23.5	3,333	24.1	1,441	22.6	1,566	25.0
Hotels and private clubs	1,545	20.7	1,937	20.3	780	19.5	948	20.7
	<u>29,512</u>		<u>36,781</u>		<u>16,795</u>		<u>19,469</u>	
Food processing operators	2,752	18.9	3,056	20.1	1,532	18.5	1,719	20.3
Others^(Note)	1,628	20.1	2,118	20.1	875	23.1	768	22.0
Total	<u><u>33,892</u></u>	<u><u>21.7</u></u>	<u><u>41,955</u></u>	<u><u>22.8</u></u>	<u><u>19,202</u></u>	<u><u>21.8</u></u>	<u><u>21,956</u></u>	<u><u>23.5</u></u>

Note: Others mainly include food demonstration organisers and wholesalers.

SUMMARY AND HIGHLIGHTS

OUR BUSINESS MODEL

As one of the intermediate suppliers in the food and beverage grocery supply chain, we procure food and beverage groceries from upper-tier suppliers such as food importers, wholesalers, brand owners, manufacturers, agents and distributors, and distribute the food and beverage groceries to catering establishments including Restaurants, Non-commercial dining establishments, hotels, private clubs and food processing operators, which would in turn offer to their own end consumers. Different from the upper-tier suppliers, we focus on establishing reliable relationships with the upper-tier suppliers, building stable distribution networks and distributing a wide spectrum of products to catering establishments and we also add value to the products by offering additional services, such as product sourcing, repackaging, quality assurance, warehousing and storage and transportation, to our customers.

As part of our services, our experienced sales and marketing representatives, who have in-depth knowledge of the products we sell and our customers' preferences, provide customised services that aim to enhance the procurement experience of our customers. Our customised services include recipe suggestion services, on-site cooking demonstrations, product sourcing, repackaging and Pick & Pack services and flexible delivery services. Our Directors believe that our direct and proactive sales approach has strengthened the business relationship with our existing customers and attract new customers, and would thereby broaden our customer base. In addition, we provide one-stop food and beverage grocery distribution services to our customers, helping them to minimise their operation cost and storage space and to be competitive in their respective industries. Our services include product sourcing, warehousing, chilled and frozen storage, repackaging and delivery.

As at the Latest Practicable Date, we did not have our own transportation and delivery team and outsourced our transportation and delivery service to Easy Logistics and another Independent Third Party service provider to deliver products to our customers. We have engaged Easy Logistics and the independent transportation service provider to provide transportation and logistics services to our Group since 2013 and 2016, respectively. During the Track Record Period, our transportation expenses amounted to approximately HK\$10.1 million, HK\$12.3 million and HK\$6.3 million, respectively, which accounted for approximately 8.2%, 8.7% and 8.8% of our total cost of sales for the respective period. For the relevant risk factor on our reliance on subcontractors for delivery of our products, please see the section headed "Risk Factors – Our Group's operation is subject to transportation services rendered by third parties" in this prospectus.

We carry more than 3,800 SKUs in our product portfolio including approximately 1,500 products that are in-stock every day. We can also process an average of approximately 600 orders every day and meet our customers' needs for varying drop sizes, high services level and timely delivery. As at the Latest Practicable Date, we have leased three warehouse facilities located in Kwun Tong, Hong Kong with total saleable area of approximately 3,076.5 sq.m. and designated storage capacity of approximately 2,300 CBM. For the six months ended 30 September 2016, our three warehouses achieved storage utilisation rate of 93.7%, 93.7% and 81.1%, respectively. Assuming that the leases are not renewed or the options to renew (if any) are not exercised, approximately 2,081.7 sq.m of the leases of these three warehouses will expire in the financial year ending 31 March 2018 and the remaining 994.8 sq.m of the warehouse lease will expire in the financial year ending 31 March 2020. During the Track Record Period, we incurred rental expenses for our warehouses amounting to approximately HK\$1.9 million, HK\$2.9 million and HK\$2.1 million, respectively.

In order to (i) expand the geographical coverage of our distribution network across various districts in Hong Kong; and (ii) broaden our product portfolio, we plan to replicate our success in the Hung To Road Warehouse and lease two new warehouses of approximately 1,300 sq.m. each in the New Territories and on the Hong Kong Island, respectively. For details of our warehouses and related business plan, please refer to the sections headed "Business – Warehouses and Repackaging Facilities" and "Business – Our Strategies" in this prospectus.

SUMMARY AND HIGHLIGHTS

We achieved significant increase in revenue and profit attributable to owners of the Company in recent years. Our revenue increased by approximately 17.6% from approximately HK\$156.2 million for the year ended 31 March 2015 to approximately HK\$183.7 million for the year ended 31 March 2016, and increased by approximately 6.3% to approximately HK\$93.6 million for the six months ended 30 September 2016 as compared to that for the same period ended 30 September 2015. Such increases were mainly contributed by the organic growth of the businesses of HFH Food and Ongo Food, other operating subsidiaries of our Group for the same period but also the external growth resulted from the acquisition of Eagle Food in July 2015 to broaden the Group's customer base. Following the acquisition of Eagle Food, Eagle Food contributed approximately HK\$9.5 million and approximately HK\$9.4 million of revenue for the year ended 31 March 2016 and the six months ended 30 September 2016, respectively, accounting for approximately 5.2% and approximately 10.0% of our total revenue for the same periods. Our profit attributable to the owners of Company increased by approximately 33.4% from approximately HK\$9.0 million for the year ended 31 March 2015 to approximately HK\$12.1 million for the year ended 31 March 2016. Such increase was in line with the increase in our revenue but also the increased share of net profit of Ongo Food, which has become our Group's wholly owned subsidiary as a result of the completion of acquisition of its 20.0% entire issued equity interest in July 2015. Excluding the non-recurring listing expenses of approximately HK\$4.3 million incurred for the six months ended 30 September 2016, our profit attributable to the owners of our Company amounted to HK\$4.7 million for the six months ended 30 September 2016, represented a slight decrease of HK\$0.4 million compared to approximately HK\$5.1 million for the six months ended 30 September 2015 mainly as a result of the increase in our rent, rates and management fees mainly due to the addition of two warehouses for our business expansion.

FOOD SAFETY

In September 2014, some Taiwanese-branded edible oil products were supplied by a supplier to us and other food suppliers and distributors in Hong Kong and Taiwan. We subsequently sold some of such edible oil to our customers without knowing they were tainted. Upon receipt of notice from the supplier that the relevant food safety authority in Taiwan demanded product recall, we promptly notified our customers to whom we sold the edible oil in question of the potential food safety issue and returned all the remaining unsold edible oil to that supplier in September 2014. The subject edible oil only accounted for approximately 0.02% of our total sales for the year ended 31 March 2015 and our Group was able to obtain full refund of the purchase price of the subject edible oil from our supplier. In addition, we had not experienced any claim or dispute over the attribution of product liability or any related material product return during the Track Record Period and up to the Latest Practicable Date. Our Directors believe that the "gutter oil" incident (i) had, and would in the future have, minimal impact on our business operation and financial performance, and (ii) had no adverse impact on the reputation of our Group. During the Track Record Period and as at the Latest Practicable Date, our Group had not been involved in any food safety or quality incidents other than the edible oil incident disclosed above. For more details, please refer to the paragraphs headed "Business – Quality control – Food safety" in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe the following are our key competitive strengths that have contributed significantly to our success and differentiate us from our competitors:

- we possess a long established reputation in the food and beverage grocery distribution industry in Hong Kong;
- our proactive sales team provides quality customised services, which placed our Group in a favourable position to obtain a stable level of recurring business;
- we possess strong sourcing capabilities of offering an extensive product portfolio;
- we have a broad and diverse customer base and stable relationships with our major customers; and

SUMMARY AND HIGHLIGHTS

- our experienced management has a proven track record in delivering growth in revenue.

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

OUR STRATEGIES

Our goal is to become one of the leading food and beverage grocery distributors in Hong Kong by implementing the following strategies:

- increase warehouse facilities strategically located in certain districts of Hong Kong in proximity to our customers;
- upgrade our ERP system to enhance our operation efficiency;
- further penetrate the food and beverage grocery distribution market through sales and marketing activities and our quality value-added services; and
- attain and retain quality personnel.

For further details of our strategies, please refer to the section headed “Business – Our Strategies” in this prospectus.

SHAREHOLDERS’ INFORMATION

Our Controlling Shareholders

Immediately after completion of the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to 69% by Sky Alpha. Sky Alpha is in turn 58.38% owned by Mr. Wong Siu Man, 38.92% owned by Mr. Wong Siu Wa and 2.7% owned by Glory Concord. As Sky Alpha, Mr. Wong Siu Man and Mr. Wong Siu Wa are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following the Listing, each of Sky Alpha, Mr. Wong Siu Man and Mr. Wong Siu Wa shall be regarded as a Controlling Shareholder under the GEM Listing Rules. In addition, on the basis that Glory Concord has restricted its ability to exercise direct control over our Company as it holds its interest through a common investment holding company with Mr. Wong Siu Man and Mr. Wong Siu Wa, namely Sky Alpha, Glory Concord is part of the group of Controlling Shareholders of our Company with Mr. Wong Siu Man and Mr. Wong Siu Wa.

Pre-IPO Investments

On 29 July 2016, Trillion Advance entered into the First Subscription Agreement with HFH Holdings pursuant to which 1,600 shares of HFH Holdings were allotted and issued to Trillion Advance in consideration of Trillion Advance’s investment of HK\$6.0 million in our Group. On 14 September 2016, Glory Concord subscribed for and Sky Alpha allotted and issued 540 shares of Sky Alpha to Glory Concord. The pre-IPO investments by Trillion Advance and Glory Concord were completed on 17 August 2016 and 21 September 2016, respectively. Immediately after completion of the Capitalisation Issue and the Share Offer and assuming the Offer Size Adjustment Option is not exercised, the aggregate shareholding of the Pre-IPO Investors will represent 7.9% of the issued share capital of our Company (of which 1.9% of the issued share capital of our Company is the effective interest held by Glory Concord through Sky Alpha). For further information, please refer to the sections headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus.

SUMMARY AND HIGHLIGHTS

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth a summary of our financial information during the Track Record Period, and should be read in conjunction with our financial information and the notes thereto included in the Accountants' Report set out in Appendix I to this prospectus.

Despite our Group having generated revenue of approximately HK\$156.2 million and HK\$183.7 million; and profit before taxation of HK\$11.3 million and HK\$14.6 million, for the two years ended 31 March 2016, respectively, we recorded net operating cash outflows of approximately HK\$1.7 million and HK\$4.2 million, respectively, for the two years ended 31 March 2016 mainly due to the increase in trade receivables during the same periods as a result of the increased demand from our customers of HFH Food and Ongo Food, our major operating subsidiaries and increased orders from Eagle Food following its acquisition in July 2015 but time required for our management and sale personnel was taken to collect the settlement of the significantly increased orders. For the six months ended 30 September 2016, we recorded an operating cash inflow of approximately HK\$3.0 million. For the relevant risk factor associated with our operating cash outflows, please see the section headed "Risk Factors – Risks Relating to our Group's Business and Operation – Our Group had net operating cash outflows during the Track Record Period and is subject to credit and liquidity risk in relation to account receivables" in this prospectus. Please refer to the section headed "Financial Information" in this prospectus for more information.

Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>			
Revenue	156,211	183,744	88,069	93,583
Gross profit	33,892	41,955	19,202	21,956
Net profit attributable to owners of the Company	9,040	12,056	5,063	427

Selected Consolidated Balance Sheet Items

	As at 31 March		As at
	2015	2016	30 September 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	2,433	2,348	4,800
Non-current liabilities	–	–	–
Current assets	26,994	36,379	44,660
Current liabilities	8,687	10,466	13,712
Net current assets	18,307	25,913	30,948
Total equity	20,740	28,261	35,748
Net assets	20,740	28,261	35,748

SUMMARY AND HIGHLIGHTS

Consolidated Statement of Cash flows

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 <i>(unaudited)</i>	2016 HK\$'000
Net cash (used in) generated from operating activities ⁽¹⁾	(1,731)	(4,192)	3,275	2,996
Net cash generated from (used in) investing activities	11,908	14,272	5,058	(769)
Net cash (used in) generated from financing activities	<u>(11,000)</u>	<u>(5,075)</u>	<u>(2,670)</u>	<u>4,717</u>
Net (decrease) increase in cash and cash equivalents	(823)	5,005	5,663	6,944
Cash and cash equivalents at beginning of year/period	<u>1,744</u>	<u>921</u>	<u>921</u>	<u>5,926</u>
Cash and cash equivalents at end of year/period	<u><u>921</u></u>	<u><u>5,926</u></u>	<u><u>6,584</u></u>	<u><u>12,870</u></u>
Turnover days of trade receivables (days) ⁽²⁾	44	46	N/A	50
Turnover days of trade payables (days) ⁽³⁾	13	15	N/A	16

Notes:

- During the years ended 31 March 2015 and 2016 and six months ended 30 September 2015 and 2016, our operating cash flows before changes in working capital amounted to approximately HK\$12.1 million, HK\$15.6 million, HK\$6.8 million and HK\$2.2 million, respectively.
- Turnover days of trade receivables is calculated using the average balance of trade receivables divided by total sale excluding the amount of cash sales for the relevant period and multiplied by 365/183 days in the relevant period. Average balance of trade receivables is calculated as the sum of the beginning and the end balance for the relevant period, dividend by two.
- Turnover days of trade payables is calculated using the average balance of trade payables divided by cost of sales for the relevant period and multiplied by 365/183 days in the relevant period. Average balance of trade payables is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

Key Financial Ratios

	Year ended 31 March		Six months ended
	2015	2016	30 September 2016
Gross profit margin (%) ⁽¹⁾	21.7	22.8	23.5
Net profit margin (%) ⁽²⁾	5.8	6.6	5.0 ⁽⁹⁾
Return on equity (%) ⁽³⁾	44.7	42.7	26.2 ⁽⁹⁾
Return on total assets (%) ⁽⁴⁾	30.7	31.1	18.9 ⁽⁹⁾
Current ratio ⁽⁵⁾	3.1	3.5	3.3
Quick ratio ⁽⁶⁾	2.2	2.7	2.6
Gearing ratio (%) ⁽⁷⁾	N/A	N/A	N/A
Net debt to equity ratio ⁽⁸⁾	N/A	N/A	N/A

SUMMARY AND HIGHLIGHTS

Notes:

1. Gross profit margin for each of the Track Record Period was calculated on gross profit divided by revenue for the respective period. Please refer to the section headed “Financial Information – Review of Historical Results of Operations” in this prospectus for more details on our gross profit margins.
2. Net profit margin for each of the Track Record Period was calculated on net profit attributable to the owners of the Company divided by revenue for the respective period. Please refer to the section headed “Financial Information – Review of Historical Results of Operations” in this prospectus for more details on our net profit margins.
3. Return on equity is calculated by dividing profit for the year attributable to owners of the Company (or the annualised profit, for the six months ended 30 September 2016) by equity attributable to owners of the respective year/period and multiplying the resulting value by 100%.
4. Return on assets is calculated by dividing profit for the year attributable to the owners of the Company (or the annualised profit, for the six months ended 30 September 2016) by total assets of the respective year/period and multiplying the resulting value by 100%.
5. Current ratio is calculated as the total current assets divided by the total current liabilities.
6. Quick ratio is calculated as total current assets less inventories and divided by total current liabilities.
7. Gearing ratio is calculated as the total debt divided by total equity and multiplied by 100%.
8. Net debt to equity ratios is calculated as total borrowings net of cash and cash equivalents and restricted cash, and divided by total equity and multiplied by 100%.
9. Taking out the effect of the non-recurring Listing expenses of approximately HK\$4.3 million incurred for the six months ended 30 September 2016, our profit attributable to the owners of our Company for the period, net profit margin, return on equity and return on total assets would be approximately HK\$4.7 million, 5.0%, 26.2% and 18.9%, respectively.

DIVIDENDS

Dividends of HK\$7.2 million were declared and paid by HFH Food to Mr. Wong Siu Man and Mr. Wong Siu Wa for the year ended 31 March 2015 and dividends of HK\$4.3 million and HK\$0.7 million were declared and paid by HFH Holdings to Mr. Wong Siu Man and Mr. Wong Siu Wa during the year ended 31 March 2016 and the six months ended 30 September 2016, respectively.

As at the Latest Practicable Date, our Group did not have any dividend policy. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

For further details, please refer to the section headed “Financial Information – Dividends” in this prospectus.

SHARE OFFER STATISTICS

Market capitalisation at Share Offer ⁽¹⁾	:	HK\$235.2 million to HK\$324.8 million
Offer size	:	25.0% of the enlarged issued share capital of our Company
Offer Price per Offer Share	:	HK\$0.21 to HK\$0.29 per Offer Share
Number of Offer Shares	:	280,000,000 Shares
Number of Public Offer Shares	:	28,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	252,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Size Adjustment Option ⁽²⁾	:	Up to 15% of the Offer Shares initially available under the Share Offer

SUMMARY AND HIGHLIGHTS

	Based on the Offer Price of HK\$0.21 per Share (low-end of Offer Price)	Based on the Offer Price of HK\$0.29 per Share (high-end of Offer Price)
Unaudited pro forma adjusted consolidated net tangible asset per Share ⁽³⁾	HK\$0.07	HK\$0.09

Notes:

1. The calculation of market capitalisation of the Shares is based on 1,120,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer.
2. In connection with the Share Offer, our Company granted the Joint Bookrunners (for themselves and on behalf of the Underwriters) the Offer Size Adjustment Option to cover over-allocations under the Placing (if any). Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue, at the final Offer Price, up to an aggregate of 42,000,000 additional new Shares, representing 15% of the Offer Shares initially available under the Share Offer. Please refer to the section headed “Structure and Conditions of the Share Offer – Offer Size Adjustment Option” in this prospectus for further details.
3. The unaudited pro forma adjusted net tangible assets per Shares has been arrived at after the adjustments referred to under the paragraph headed “A. Statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company” in the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and on the basis of 1,120,000,000 Shares in issue at the respective Offer Prices of HK\$0.21 and HK\$0.29 per Share immediately following completion of the Capitalisation Issue and the Share Offer.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

Prior to the Listing, funding of our business activities was primarily from internally generated cash. We had approached commercial banks in the past for credit facilities. However, most banks would require collateral, either in the form of cash or immovable assets such as properties. As we do not have property assets available for pledging as collateral, it has been difficult for us to secure bank borrowings, without the support by our Controlling Shareholders and on terms which we find favourable. On 1 November 2016, we successfully obtained a credit facility of HK\$3.0 million from a commercial bank in Hong Kong and the facility was drawn down on 3 November 2016. The facility is supported by a personal guarantee by Mr. Wong Siu Man and Mr. Wong Siu Wa, being two of the Controlling Shareholders and executive Directors, to finance the Group’s business operation and it will be released and replaced by a corporate guarantee to be granted by our Company upon Listing. Before obtaining such banking facility, in August and September 2016, we also obtained external funding from pre-IPO investments in the amount of approximately HK\$6.0 million and HK\$2.0 million from Trillion Advance and Glory Concord, respectively mainly for general working capital. Our Directors believe that the geographical coverage and efficiency of our distribution platform are key elements for us to maintain market competitiveness. We have, therefore, drawn up business plans of enhancing our distribution platform which will require considerable additional financial resources. As such, our Directors believe that the Listing will enable us to raise additional funds immediately and have access to the equity capital market for raising funds in the future to fulfil our capital needs. Our Directors also believe that it would be easier and more cost-effective for us to obtain sufficient debt financing from banks to fund our future operations and development with a listing status. Furthermore, a listing status would allow us to further strengthen our reputation in the industry which makes it easier for us to maintain our existing business relationship with our network of suppliers and customers and further explore potential business opportunities with new suppliers and customers.

The net proceeds from the issue of the Offer Shares under the Share Offer based on the Offer Price of HK\$0.25 per Share, being the mid-point of the indicative Offer Price range, are estimated to be approximately HK\$48.5 million, after deducting the estimated underwriting commission and total expenses in the aggregate amount of approximately HK\$21.5 million, paid and payable by our Company from the gross proceeds of the Share Offer and assuming the Offer Size Adjustment Option is not exercised. We intend to apply the net proceeds of the issue of the Offer Shares under the Share Offer in the following manner:

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- (a) approximately 48.3% of the total estimated net proceeds, or HK\$23.4 million, will be used to lease two warehouse facilities, one in the New Territories in the first year after the Listing and another on the Hong Kong Island in the second year after the Listing, respectively, of which approximately 20.2% of the total estimated net proceeds, or HK\$9.8 million will be used to acquire inventories of our Group to support expansion;
- (b) approximately 26.0% of the total estimated net proceeds, or HK\$12.6 million, will be used to upgrade our ERP system;
- (c) approximately 11.3% of the total estimated net proceeds, or HK\$5.5 million, will be used to conduct sales and marketing activities;
- (d) approximately 7.2% of the total estimated net proceeds, or HK\$3.5 million, will be used to install new repackaging equipment and develop packaging design; and
- (e) approximately 7.2% of the total estimated net proceeds, or HK\$3.5 million, will be used for general working capital purposes.

RECENT DEVELOPMENT

Our business model, revenue structure and cost structure basically remain unchanged, subsequent to the Track Record Period and up to the prospectus date. Based on the unaudited financial information of our Group, we continued to record growth in our revenue and gross profit for the ten months ended 31 January 2017 as compared to the corresponding period in 2016. Such growth was mainly attributable to the increased number of our customers through our sales and marketing efforts and new products being launched during the period.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Share Offer and the Listing. Assuming an Offer Price of HK\$0.25 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Offer Size Adjustment Option is not exercised, our total listing expenses is estimated to be approximately HK\$21.5 million, of which HK\$6.6 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity and the remaining amount of HK\$14.9 million has been or will be reflected in our consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2017. Out of this amount, approximately HK\$4.3 million had been charged to our profit and loss account for the six months ended 30 September 2016 and the remaining amount of approximately HK\$10.6 million is expected to be recognised in our consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2017. The actual amounts to be recognised to the profit and loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions. **Prospective investors should note that our financial results for the year ending 31 March 2017 will be adversely affected by the non-recurring Listing expenses described above, and may not be comparable to the financial performance of our Group in the past.**

MATERIAL ADVERSE CHANGE

The impact of the listing expenses on our consolidated statements of profit or loss and other comprehensive income has posted a material adverse change in the financial or trading position or prospect of our Group since 30 September 2016 (being the date of the latest audited consolidated financial statements were made up). Our Directors consider that our financial performance for the year ending 31 March 2017 would be significantly adversely affected by the recognition of listing expenses and a loss is expected to be incurred for the year ending 31 March 2017. The final amount of these amounts to be recognised to the profit or loss of our Group is subject to adjustment based on audit and the changes in variables and assumptions. As a result of these expenses, our net profit for the year ending 31 March 2017 may decline as compared with the prior financial year. Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the year ending 31 March 2017.

SUMMARY AND HIGHLIGHTS

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading positions of our Group since 30 September 2016, being the date to which the latest financial statements of our Group were made up, and there had been no event since 30 September 2016 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

RISK FACTORS

There are risks associated with any investment. Some of the relatively material risks relating to our Group include:

- our Group's business and operation are subject to our suppliers' ability to duly perform their obligations to supply products to us and our business relationship with our suppliers;
- we generally do not enter into long-term agreements with our customers;
- we are highly susceptible to the development and growth in the catering industry in Hong Kong;
- our Group's business may be affected by consumers' preference, consumer spending level and general economic conditions;
- our Group's business may be materially affected by the availability of warehouse facilities and rental expenses;
- our Group's operation is subject to transportation services rendered by third parties; and
- our Group faces the risk of obsolescence for our inventory.

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in this prospectus, and investors should read the entire section before deciding to invest in the Offer Shares.

COMPETITIVE LANDSCAPE OF THE FOOD AND BEVERAGE GROCERY DISTRIBUTION INDUSTRY IN HONG KONG

The food and beverage grocery distribution industry in Hong Kong is characterised by its fragmented share taken up by a diversified spectrum of market players, including food and beverage importers, wholesalers, manufacturers, agents, retailers and distributors, from Hong Kong and overseas. As of the end of 2015, there were around 850 food and beverage grocery distribution companies in the market with the total market sales revenue amounting to approximately HK\$44.3 billion. According to the F&S Report, the ten largest food and beverage grocery distributors accounted for approximately HK\$2.9 billion in terms of revenue, representing approximately 6.5% of the market share of the food and beverage grocery distribution market in Hong Kong in 2015. Our Group occupied an estimated 0.35% of market share with approximately HK\$156.2 million revenue in 2015, and offered over 2,100 food and beverage groceries and over 3,800 SKUs of branded and non-branded products to over 1,100 customers as of the Latest Practicable Date. For details, please refer to the section headed "Industry Overview" in this prospectus.

DEFINITIONS

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

“affiliate(s)”	any person(s), directly or indirectly, controlling, controlled by or under direct or indirect common control with another person(s)
“Anka Capital”	Anka Capital Limited, a company incorporated in the BVI on 22 May 1996 with limited liability, which is one of the indirect holding companies of our Pre-IPO Investor, Glory Concord, and whose shares are owned as to 50% by Mr. Tam Cheuk Ho and 50% by Mr. Wong Wah On Edward
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s) or, where the context so requires, any of them
“Articles of Association” or “Articles”	the articles of association of our Company conditionally adopted by our Shareholders on 27 March 2017 and effective on the Listing Date and as amended or supplemented from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Board” or “Board of Directors”	the board of Directors
“business day”	a day (other than a Saturday or Sunday or Public Holiday) on which licenced banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 824,400,000 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 the paragraph headed “A. Further information about our Company – 5. Extraordinary general meeting of our Shareholders held on 27 March 2017” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“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 practises, 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
“Chief Executive Officer”	the chief executive officer of our Company, Mr. Wong Siu Wa, who was appointed as the chief executive officer on 27 March 2017
“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus only and except where the context requires otherwise, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“close associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provision) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Co-Manager”	China Sky Securities Limited, a corporation licenced under the SFC and permitted to carry out type 1 (dealing in securities) regulatory activity under the SFO

DEFINITIONS

“Company” or “Our Company”	Asia Grocery Distribution Limited (亞洲雜貨有限公司) (formerly known as Asia Grocery Distributor Limited), an exempted company incorporated in the Cayman Islands with limited liability on 29 September 2016 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 13 January 2017
“Controlling Shareholder(s)”	(i) the controlling shareholder(s) (having the meaning ascribed to it in the GEM Listing Rules) of our Company, namely, Mr. Wong Siu Man, Mr. Wong Siu Wa and Sky Alpha, and (ii) Glory Concord, as part of the group of Controlling Shareholders of our Company with Mr. Wong Siu Man and Mr. Wong Siu Wa. Details of their shareholdings and basis for the identification of Controlling Shareholders are set out in the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“Deed of AIC Confirmation”	a deed of confirmation dated 10 November 2016 executed by Mr. Wong Siu Man and Mr. Wong Siu Wa, whereby they confirmed, among others, the existence of their acting in concert arrangement, a summary of which is set out in the section headed “Relationship with Controlling Shareholders” in this prospectus
“Deed of Indemnity”	the deed of indemnity dated 27 March 2017 and executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in “E. Other Information – 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition undertakings dated 27 March 2017 executed by our Controlling Shareholders and our Company, particulars of which are set out in the section headed “Relationship with Controlling Shareholders – Non-competition Undertaking” in this prospectus
“Delta Group”	Delta Group Investments Limited, a company incorporated in the BVI on 5 April 2000, whose shares are wholly owned by Anka Capital
“Director(s)”	the director(s) of our Company

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“Eagle Food”	Eagle Food Limited (意高食品有限公司), a company incorporated in Hong Kong on 6 February 2015, which is one of the main Hong Kong operating subsidiaries of our Group wholly owned by HFH Holdings and indirectly wholly owned by our Company
“Easy Logistics”	Easy Logistics Limited, a company incorporated in Hong Kong on 26 May 2011. Prior to the transfer of shares on 1 April 2015, Easy Logistics was owned as to 50% by Mr. Wong Siu Man and 20% by Mr. Wong Siu Wa. After the transfer of 70% interest in Easy Logistics to Independent Third Party on 1 April 2015, Easy Logistics was an Independent Third Party. Details of Easy Logistics are described in the section headed “Financial Information – Related Party Transactions” in this prospectus
“EUR” or “Euro”	Euro, the official currency of the eurozone
“F&S Report”	the independent industry report dated 31 March 2017 commissioned by our Company and prepared by Frost & Sullivan
“First Shareholders Agreement”	the shareholders’ agreement of the Company dated 30 September 2016 entered into between the Company, Sky Alpha, Trillion Advance, Mr. Wong Siu Man and Mr. Wong Siu Wa, details of which are described in the section headed “History, Reorganisation and Corporate Structure – Pre-IPO Investments – First Shareholders Agreement” in this prospectus
“First Subscription Agreement”	the first subscription agreement dated 29 July 2016 entered into between HFH Holdings and Trillion Advance, pursuant to which Trillion Advance subscribed for 1,600 shares of HFH Holdings and HFH Holdings allotted and issued 1,600 shares to Trillion Advance in consideration of Trillion Advance’s investment of HK\$6.0 million in our Group
“Frost & Sullivan”	Frost & Sullivan International Limited, an independent industry expert engaged by us
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM (as amended from time to time)

DEFINITIONS

“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
“Glory Concord”	Glory Concord Limited (榮致有限公司), a company incorporated in the Republic of Seychelles on 18 July 2016 with limited liability, which is one of our Pre-IPO Investors and whose shares are 50% owned by Grand Clover and 50% owned by Delta Group, and is one of the Controlling Shareholders of our Company
“Grand Clover”	Grand Clover Limited, a company incorporated in the Republic of Seychelles on 1 July 2016 with limited liability, which is one of the holding companies of our Pre-IPO Investors, Glory Concord, and whose shares are wholly owned by Mr. Chow Lap King Brian
“Group” or “us” or “we” or “our” or “ourselves”	our Company together with our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at that time
“HFH Food”	Hung Fat Ho Food Limited (鴻發號糧油食品有限公司), a company incorporated in Hong Kong on 24 November 2005, which is one of the Hong Kong operating subsidiaries of our Group wholly owned by HFH Holdings and indirectly wholly owned by our Company
“HFH Holdings”	Hung Fat Ho Holdings Limited (鴻發號集團有限公司), a company incorporated in the BVI on 30 June 2015, which is the intermediate holding company of our Group and will be wholly owned by our Company after the Reorganisation
“HK\$” or “HKD”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	the Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“the “Hung Fat Ho” partnership”	the unlimited partnership established in Hong Kong equally owned by Mr. Wong Siu Man and Mr. Wong Siu Wa prior to its dissolution on 10 August 2016
“Hung To Road Warehouse”	the warehouse facility leased by our Group located at Working Space A & B, G/F House of Corona, No. 50 Hung To Road, Kowloon, Hong Kong
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent from and not connected with (within the meaning of the GEM Listing Rules) any director, chief executive, substantial shareholder of our Company, its subsidiaries or any of their respective associates
“IPO”	initial public offering
“Joint Bookrunners” or “Joint Lead Managers”	South China Securities Limited (a corporation licenced under the SFC and permitted to carry out type 1 (dealing in securities) regulatory activity under the SFO) and China Prospect Securities Limited (a corporation licenced under the SFC and permitted to carry out type 1 (dealing in securities) regulatory activity under the SFO)
“Latest Practicable Date”	22 March 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Listing”	the listing of the Shares on GEM
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the GEM first commence, which is expected to be on Thursday, 13 April 2017

DEFINITIONS

“Listing Division”	the listing division of the Stock Exchange
“Lofty Idea”	Lofty Idea Investments Limited (高意投資有限公司), a company incorporated in BVI on 24 June 2016, which is wholly owned by HFH Holdings and indirectly wholly owned by our Company
“Main Board”	the main board of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted upon the incorporation of our Company, as amended or supplemented from time to time
“Mr. Hanson Wong”	Mr. WONG Chun Hung Hanson (黃俊雄), a non-executive Director of our Company who holds 66.7% shareholding interest of our Pre-IPO Investor, Trillion Advance, and as at the Latest Practicable Date, together with Mr. Terence Mak invested in our Company through Trillion Advance
“Mr. Terence Mak”	Mr. MAK Kwok Kwan Terence (麥國坤), who holds 33.3% shareholding interest of our Pre-IPO Investor, Trillion Advance, and as at the Latest Practicable Date, together with Mr. Hanson Wong invested in our Company through Trillion Advance
“Mr. Wong Siu Man”	Mr. WONG Siu Man (黃少文), an executive Director, the chairman of the Board and a Controlling Shareholder; Mr. Wong Siu Man is a brother of Mr. Wong Siu Wa
“Mr. Wong Siu Wa”	Mr. WONG Siu Wa (黃少華), an executive Director, Chief Executive Officer and a Controlling Shareholder; Mr. Wong Siu Wa is a brother of Mr. Wong Siu Man
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) which will be not more than HK\$0.29 per Offer Share and is expected to be not less than HK\$0.21 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Share Offer, to be determined as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Offer Shares”	collectively, the Placing Shares and Public Offer Shares

DEFINITIONS

“Offer Size Adjustment Option”	the option to be granted by our Company to the Placing Underwriters, exercisable by the Joint Bookrunners on behalf of the Placing Underwriters, under the Placing Underwriting Agreement to require our Company to issue up to an additional 42,000,000 new Shares, representing 15% of the number of the Offer Shares, at the Offer Price to cover over-allocation in the Placing, details of which are described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Ongo Food”	Ongo Food Limited (安高食材有限公司), a company incorporated in Hong Kong on 25 July 2011, which is one of the Hong Kong operating subsidiaries of our Group
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company for cash at the Offer Price with selected professional, institutional and/or other investors in Hong Kong as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 252,000,000 new Shares initially being offered by our Company at the Offer Price for subscription under the Placing subject to reallocation and the Offer Size Adjustment Option, as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing Shares who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing to be entered into between, amongst others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Co-Manager and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting – Underwriting arrangements and expenses” in this prospectus
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014

DEFINITIONS

“Pre-IPO Investors”	Glory Concord and Trillion Advance
“Price Determination Agreement”	the agreement expected to be entered into by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date on which the Offer Price is to be fixed, which is expected to be on or about Friday, 7 April 2017
“Public Offer”	the issue and offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price on and subject to the terms and conditions stated in this prospectus and in the Application Forms as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Shares”	the 28,000,000 new Shares (subject to reallocation) initially being offered by our Company for subscription in the Public Offer, as described under the section headed “Structure and Conditions of the Share Offer” in this Prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer Shares whose names are set out in the section headed “Underwriting – The Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement relating to the Public Offer entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Co-Manager and the Public Offer Underwriters on or around 30 March 2017, details of which are set forth in the section headed “Underwriting” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation arrangements undergone by our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus

DEFINITIONS

“Second Shareholders Agreement”	the shareholders’ agreement of Sky Alpha dated 14 September 2016 entered into between Mr. Wong Siu Man and Mr. Wong Siu Wa, Glory Concord and Sky Alpha, details of which are described in the section headed “History, Reorganisation and Corporate Structure – Pre-IPO Investments – Second Shareholders Agreement” in this prospectus
“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 share(s) of nominal or par value of HK\$0.01 each in the share capital of our Company after the redenomination and such share(s) had a par value of US\$1.00 each prior to the redenomination
“Share Option(s)”	option(s) which may be granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 27 March 2017, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Share Offer”	the Public Offer and the Placing
“Sky Alpha”	Sky Alpha Investments Limited (元天投資有限公司), a business company incorporated with limited liability on 12 April 2016 in the BVI, whose shares are 58.38% owned by Mr. Wong Siu Man, 38.92% owned by Mr. Wong Siu Wa and 2.7% by Glory Concord immediately after the Reorganisation, and is one of the Controlling Shareholders of our Company
“Sole Sponsor” or “South China Capital”	South China Capital Limited, a corporation licenced under the SFC and permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the sole sponsor to the Listing

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the two financial years ended 31 March 2016 and the six months ended 30 September 2016
“Trillion Advance”	Trillion Advance Investments Limited (兆進投資有限公司), a business company incorporated with limited liability in the BVI on 8 June 2016, which is one of our Pre-IPO Investors and whose shares are 66.7% owned by Mr. Hanson Wong and 33.3% owned by Mr. Terence Mak
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “US”	the United States of America, including its territories and possessions
“USD” or “US\$”	US dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“Warrantors”	collectively, our Company, our Controlling Shareholders and executive Directors
“ 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 deposited directly into CCASS
“%”	per cent.
“*”	for identification purpose only

DEFINITIONS

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

Unless expressly stated or the context requires otherwise: (i) amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items; and (ii) solely for your convenience, this prospectus contains translations of certain US\$ or EUR into HK\$ at specified rates. You should not construe these translations as representations that US\$ or EUR could actually be, or have been, converted into HK\$ at the rate indicated or at all. Unless we indicate otherwise, the translations of US\$ into HK\$ and EUR into HK\$ have been made at the rates of US\$1.00:HK\$7.75 and EUR1.00:HK\$8.65, respectively.

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with our Group and our Group's business. The terms and their meanings may not correspond to meanings or usage of these terms as used by others.

“CAGR”	compound annual growth rate
“CBM”	cubic metre
“Cha Chaan Teng”	茶餐廳, Hong Kong-style restaurants that serve Asian and western cuisines in a casual environment
“ERP”	Enterprise Resource Planning, an information technology system integrating internal and external information such as accounting, financial information, human resources management and warehouse management, for automation of business operations
“k.g.”	kilogramme(s)
“MSG”	monosodium glutamate, a common food additive
“Non-commercial dining establishments”	including dining establishments which offer food service either on profit or charitable basis, such as canteens in schools, private and public hospitals, elderly care centres and religious organisations
“Pick & Pack”	taking ordered products out of inventory and packing them so that the package can be effectively delivered to the customer
“Restaurants”	including Cha Chaan Teng, tea houses, cafes, bars, fast food, casual dining, fine dining restaurants, whether individual or chain, serving Chinese, non-Chinese (including western or Asian styles) or multi-national cuisines
“SKU”	acronym for stock keeping unit, a unique identifier for each distinct product and service that can be purchased
“sq.m.”	square metre(s)

FORWARD-LOOKING STATEMENTS

Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to our Group's intentions, beliefs, expectations or predictions for future event and conditions which may not occur. These forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", and "Financial Information", which are, by their nature, subject to risks and uncertainties.

In some cases, you can identify these forward-looking statements by words such as "aim", "anticipate", "believe", "continue", "could", "expect", "intend", "may", "might", "plan", "predict", "seek", "should", "will", "would" or similar expressions or their negatives. These forward-looking statements include, without limitation, statements relating to:

- our Group's business objectives, implementation plans and use of proceeds;
- the amount and nature of, potential for, future development of our Group's business;
- our Group's operation and business prospects;
- our Group's dividend policy;
- the regulatory environment of our Group's industry in general;
- the future development and trends in our Group's industry; and
- risks identified under the section headed "Risk Factors" in this prospectus.

Our Directors confirm that these forward-looking statements are made after due and careful consideration.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our Group's control. In addition, these forward-looking statements reflect our Group's current views with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, without limitation, those discussed under the section headed "Risk Factors" in this prospectus.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. Our Company undertakes no obligations to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our Group's control. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

FORWARD-LOOKING STATEMENTS

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making an investment in the Shares. Our business, operation, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or which we currently deem immaterial may arise or become material in the future and may have a material effect on us.

RISKS RELATING TO OUR GROUP'S BUSINESS AND OPERATION

Our Group's business and operation are subject to our suppliers' ability to duly perform their obligations to supply products to us and our business relationship with our suppliers.

We sourced all of our food and beverage groceries for sale to our customers from independent suppliers during the Track Record Period. As such, we rely on the ability and efficiency of suppliers to supply products to our customers. Therefore, our suppliers play a vital role in our food and beverage grocery distribution business. In addition, we usually do not enter into long-term supply contracts with our suppliers and generally engage them on a per purchase basis except for our largest supplier and two overseas suppliers with whom we have entered into distributorship agreements. We entered into a non-exclusive distributorship agreement in 2014 with our largest supplier which accounted for approximately 7.9%, 8.7% and 8.8% of our total purchases, respectively, during the Track Record Period. Please refer to the section headed "Business – Our Suppliers" in this prospectus for further details. There is no assurance that our suppliers will continue to supply products to us with desired quality and in required quantities, in a timely manner and on terms commercially acceptable to us. Any disruption to our suppliers' business may inevitably have an impact on their ability to supply products in line with our required schedule. If any of our suppliers terminates its business relationship with us or if there were unfavourable changes to the current business arrangements, we may not be able to locate suitable alternative suppliers in a timely manner to supply products with comparable quality and on terms and prices better or equivalent to the current arrangement. Any of the above may adversely affect our business, financial condition and results of operations.

We generally do not enter into long-term agreements with our customers.

Our customers purchase from us pursuant to individual purchase orders, as we generally do not enter into long-term agreements with our customers for the purchase of our products. Since our customers are generally not obligated to continue purchasing products from us, we cannot assure you that the volume and/or number of our customers' purchase orders will remain constant or increase or that we will be able to maintain or add to our existing customer base. Significant decreases in the volume and/or number of purchase orders or our inability to retain or expand our current customer base may have a material adverse effect on our business, financial condition or results of operations.

RISK FACTORS

We are highly susceptible to the development and growth in the catering industry in Hong Kong.

During the Track Record Period, a majority of our total revenue were derived from customers operating in the catering industry, such as Restaurants, hotels and private clubs in Hong Kong. The demand for our products is mainly driven by the ultimate need of these customers to serve different cuisines to the mass consumers in Hong Kong.

Therefore, the volatility of the Hong Kong catering industry would likely result in an impact on the demand of our products. In general if the catering market slumps, we also expect that the overall food and beverage grocery market to follow suit and demand for our products may be affected. Accordingly, our results of operations and financial performance are affected by the development and prospects of the catering industry. In the event that the development and growth of the catering industry is not sustained or slows down due to a variety of factors beyond our control, such as epidemic outbreak or any negative publicity relating to any health-related matters, or if there is any material adverse change in the catering industry, our business, results of operations, financial condition and prospects may be materially and adversely affected.

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

Our major customers are mainly food service operators in Hong Kong catering industry of different sizes and nature for end consumers. As such, our results of operations are largely dependent on the market demand for our products which may fluctuate substantially due to changing consumers' preference and tastes. Further, the demand for our products may be influenced by a number of factors beyond our control, including, among others, consumer spending level 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 unfavourable changes to these factors may result in lower consumer spending, adversely affect the catering industry and introduce uncertainty to the market demand for food and beverage groceries.

Our Group's business may be materially affected by the availability of warehouse facilities and rental expenses.

As at the Latest Practicable Date, our Group rents all the warehouse facilities we use or occupy for the storage of our products from Independent Third Parties and does not own any warehouse facilities. The tenancy agreements for the lease of such warehouse facilities are for a fixed duration subject to an expiry date. We may be forced to accept an increase in rents or other obligations. With our plan to start leasing a new warehouse in the New Territories in 2017 and another warehouse on the Hong Kong Island in 2018, respectively, our annual rental expenses are expected to increase by nil, approximately HK\$2,925,000 and approximately HK\$4,680,000 for the years ending 31 March 2017, 31 March 2018 and 31 March 2019, respectively. It is also possible that we may not secure the renewal of such tenancy agreements

RISK FACTORS

at all. In addition, the landlords of the warehousing properties may early terminate the tenancy in accordance with the terms of the tenancy agreements. In such cases, we may be unable to find suitable location to relocate our warehouse facilities in a timely manner and on commercially acceptable terms, or at all, which could result in temporary disruption to our operation and loss of business due to the decreased warehousing and storage capacity of our Group.

In addition, our two warehouse facilities in Kwun Tong are fully utilised for the six months ended 30 September 2016. While we rented the Hung To Road Warehouse in June 2016 with a view to accommodating increased inventory level from the increase in number of customers and purchase orders, we expect that it will also be fully utilised by the end of 2016. As such, we intend to apply net proceeds from the Share Offer to lease two additional warehouses. For details, please refer to the section headed “Business – Our Strategies” in this prospectus. Our rental expenses will increase along with our expansion plan going forward. The increase in rental expenses will increase our operating costs and if our expansion plans do not proceed or materialise in accordance with the timetable or at all, our business, results of operations and financial condition may be adversely affected. On the other hand, there is no guarantee that we will be able to find and secure the tenancy of additional warehousing facilities should all of our warehouse facilities become fully utilised in the future. We may experience significant difficulties in expanding our warehousing and storage capacity, which may materially and adversely affect our business expansion plans and results of operations.

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

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

Furthermore, our service contracts with our transportation services providers are subject to expiry and may be early terminated by either party in accordance with the contractual terms. There is no guarantee that we will be able to renew such service contract on terms and fees equivalent to or better than the current terms and fees, or at all. In such event, we may not be able to find other service providers for comparable services and of similar costs, which could reduce the distribution capacity of our Group, resulting in material adverse impact on our business operation.

RISK FACTORS

Our Group faces the risk of obsolescence for our inventory.

Our operation involves storage and stocking of a range of food and beverage grocery products and commodities with a limited shelf life. In light of the nature of our products, our Group has implemented measures and procedures such as automatic reminders and warnings generated by our existing ERP system to monitor the inventory level and minimise incidences of overstocking. We had written-off approximately HK\$22,000, HK\$26,000 and HK\$14,000, respectively, during the Track Record Period as a result of our disposal of damaged products that are unsold, returned or expired. However, we had not provided for impairment of inventory as a result of expiry or damage of products and no provision for impairment of inventories was recorded during the Track Record Period, our inventory inevitably faces obsolescence risks where there are unexpected material fluctuations or abnormalities in the supply and demand of food and beverage grocery products by suppliers and customers, respectively or where there are changes in consumers' tastes and preferences or introduction of new products in the market, which may lead to decreased demand and overstocking of particular products. 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, delayed or wrong delivery. Such returned goods may result in shelving of products which increases the risk of obsolescence.

In addition, certain food and beverage grocery items, such as dairy products and preserved meat products require storage maintained at frozen or 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 Group's revenue may be adversely affected by the highly competitive nature of the market in which we operate, in particular when the entry barrier to the market in Hong Kong is not significant.

According to the F&S Report, the food and beverage grocery distribution industry is highly fragmented and mature with relatively low entry barriers. In 2015, there were more than 850 food and beverage grocery companies in Hong Kong. Our Group competes in the food and beverage grocery distribution industry for both supply of products by 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 as 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 portfolio, reputation, financial resources, sourcing and distribution network. Apart from our existing competitors, in view of the increasing awareness and acceptance of online distribution options (for instance, business-to-business and business-to-customers platforms), 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 of different intermediaries in the supply chain. Furthermore, any consolidation among our existing or potential competitors or formation of

RISK FACTORS

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 lead 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.

In addition, during the Track Record Period, a majority of our products were common food and beverage products with no exclusive distributorship right. Our existing or potential competitors may introduce products superior to those we are selling or will 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 due to other reasons. Consequently, our market share may be adversely affected. We may also face 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 not be able to maintain our historical growth of business and our results of operations.

Damage to our reputation could materially and adversely affect our business, financial condition or results of operations.

We believe that we have built a strong reputation in the food and beverage distribution business in Hong Kong over the past 40 years, for the breadth and depth of our product portfolio and high quality services. Any incident that erodes consumer confidence in or affinity of our products or services, whether or not justified, could significantly reduce their respective values and damage our business reputation. For instance, any negative media coverage, whether or not accurate, over the quality, authenticity and safety of the products we distribute may significantly tarnish our reputation. In September 2014, we sourced the Taiwanese-branded edible oil from one of our suppliers, some of which were subsequently sold to our customers without knowing they were tainted until we received notice from that supplier of the relevant food safety authority's product recall order.

We cannot guarantee that similar incidents will not occur in the future. Any occurrence of such food safety and health-related matters, even if we are not directly involved, would adversely affect consumer confidence and negatively impact the catering industry as a whole. If our customers perceive or experience a reduction in the quality or selection of our products or our services, or in any way believe that we failed to deliver a consistently positive experience, our business, financial condition or results of operations may be affected in a materially adverse manner.

RISK FACTORS

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. Each of our executive Directors has over ten years of experience in the food and beverage grocery distribution industry, and possess extensive knowledge and insights of the industry and consumer market development. In particular, Mr. Wong Siu Wa, our Chief Executive Officer and executive Director, has 18 years of operational experience in the food and beverage grocery distribution industry. Since our Group's establishment, 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 the employment contract, we may not be able to recruit new management members of comparable industry experience and knowledge in a timely manner or at all. In such event, our Group may not be able 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.

Our business operation may be adversely affected if we could not maintain favourable and stable relations with our employees.

Our success heavily relies on our ability to identify, hire, train and retain suitable and skilled employees to operate our business, in particular for our sales representatives, and to generally maintain favourable relations with our employees. For example, we rely on our sales representatives to solicit prospective customers through sales and marketing activities and employees to station at our warehouse facilities to receive delivery of products from our suppliers, manage our inventory and repackage certain food items. While we recognise that some of these tasks could be physically strenuous and arduous in nature and have implemented automation systems to facilitate our operation, such as the introduction of repackaging machinery to facilitate the repackaging process, our business nature remains labour intensive in general. Any deterioration of labour relations may adversely affect our operational stability and efficiency. Though we have not encountered any material labour disputes with our employees, 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.

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 about sales orders from customers or distribution arrangements with suppliers, and we may not be able to recover such information. As a result, our business, operation and reputation may be adversely affected.

RISK FACTORS

Our Group's business and operation are susceptible to product liability claims.

As we are not involved in the manufacturing of the products we sell, we do not have control over their quality. The sale of food and beverage grocery products for human consumption involves inherent risks of personal injury to consumers, which may result from tampering by unauthorised third parties, product contamination or degeneration during the production, storage or transportation processes. 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 to us. Upon receiving the products from our suppliers, we cannot guarantee that our internal control procedures and quality safeguards will be completely effective in ensuring that the quality of our products will not deteriorate as a result of improper storage conditions or other unforeseeable reasons. Such product quality issues may cause illness to the ultimate consumers of our products. Any dispute over the attribution of product liability that may arise would divert our resources in defending legal proceedings and efforts in our business operations, which may adversely affect our results of operations.

Our Group had net operating cash outflows during the Track Record Period and is subject to credit and liquidity risk in relation to account receivables.

We offer credit periods to some of our major customers. The periods range from 0 to 90 days from the dates of invoice, varying with the credit status of the customers. There is no guarantee that all customers will settle payment in full as it falls due. We recorded net operating cash outflows of approximately HK\$1.7 million and HK\$4.2 million, respectively, for the two years ended 31 March 2016 mainly due to the increase in trade receivables during the same periods as a result of the increased demand from our customers and the acquisition of Eagle Food in July 2015. Our trade receivable turnover days of our total sales were approximately 35 days, 38 days and 40 days during the Track Record Period, respectively, while those of our credit sales were approximately 44 days, 46 days and 50 days, respectively, during the Track Record Period. We have made provision of approximately HK\$270,000, HK\$91,000 and HK\$242,000 for impairment of trade receivables, respectively, during the respective period. In addition, given such disparity between our trade receivable turnover days and trade payable turnover days during the Track Record Period, in the event that we fail to receive payments from our customers on a timely basis, our cash flows and financial performance could be affected adversely and materially. As at 31 January 2017, being the latest practicable date for the purpose of the indebtedness statement, we have fully utilised our banking facilities of approximately HK\$3.0 million.

Our current evaluation of the credit status of our customers and credit control policies may not be adequate to safeguard against material credit risks. Our financial position may be materially and adversely affected if any customer delays or fails to pay the amount due. In addition, there may be an adverse impact on our operation as it diverts our management resources, time and attention to pursue any unsettled invoices.

RISK FACTORS

Our Group's operation is susceptible to unexpected business disruptions and irregularities.

Our business and operation are subject to material unexpected disruptions brought by natural disasters, including earthquakes, outbreak of diseases 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 Group's control. If any of these events occurs at or in the vicinity of our warehouse facilities, it may directly cause substantial damage or destruction to our facilities and stocks of products. 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 such risks of business disruptions. There is no assurance that our Group will take adequate steps to mitigate the potential impact of such disruptions effectively. While we did not experience any of such business interruptions during the Track Record Period, the occurrence of any of such incidents in the future may cause partial or total loss of our stocks, and result in material damage or destruction to our machinery and equipment. Our operation may be severely impaired or even put to a halt, which may lead to material adverse impact on our Group's results of operations.

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 warehouse facilities or during the delivery of products. Any such events beyond our control may lead to partial or full loss of our stocks, damage or destruction of our machinery and equipment. In light of this, our Group has purchased various insurance policies, such as all risks insurance (which includes loss and theft of, and damage to property such as our inventories in our warehouse facilities) to transfer the risks of such losses. During the Track Record Period, we did not make any insurance claims, nor did we claim any amounts under the insurance cover. During the same period, we incurred expenses for such insurance policies in the amount of approximately HK\$168,000, HK\$35,000 and HK\$137,000, respectively. 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 the loss we may suffer in the future. For example, the scope of our existing insurance policy for losses may not be sufficiently extensive and wide to fully indemnify us the monetary losses we may suffer caused by fire, or at all.

Our Group may not be able to adequately manage our future growth and expansion.

Any future development of our business is subject to the availability of resources and the constraints of market conditions which may be constantly changing. Our Group may not be able 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

RISK FACTORS

risks to our operational and financial stability. For example, we may not be able to increase our warehouse facilities, upgrade our ERP system, further penetrate the food and beverage grocery distribution market, and recruit sufficient manpower in a timely manner to support our business growth. Failure to manage our expansion plans properly may result in increased operational costs and lower profits than anticipated.

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

As at the Latest Practicable Date, our Group is not involved in any material litigation, claim or any other proceedings against us in any jurisdiction. However, our operational and financial stability are subject to any litigation or legal proceedings we may face in the future. During the ordinary course of our business operations, our Group is exposed to liability arising from product quality claims, labour disputes, contractual claims under supply agreements, sales agreements, and other potential third party disputes. These actions could also expose us to adverse publicity, which might adversely affect our brands, reputation and customer preference for our products. Our operational and financial resources, as well as our management attention may be diverted in defence of such proceedings from our business and operations. Our financial performance may be materially and adversely affected as substantial legal costs may be incurred. Our Group's reputation may also be tarnished during the often prolonged process of litigation while the outcome remains uncertain. Furthermore, any settlements or judgments against us may strain our financial resources and adversely affect the profitability of our Group.

RISKS RELATING TO THE INDUSTRY

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

We are required to obtain a number of licences and permits for our distribution business operations, including, among others, food importer and food distributorship licences. The Hong Kong government may revise the current regulations and policies unfavourably for 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. It is possible that we may be required to suspend our operation until the relevant licences are issued or even cease certain aspects of our business if we fail to obtain such licences for reasons that may go beyond our control. Any failure to comply with the existing regulations or future legislative changes could require our Group to incur significant compliance costs or expenses or result in the assessment of damages, imposition of fines against us or suspensions of some or all of our business, which could materially and adversely affect our financial condition and results of operations.

RISK FACTORS

Our Group's expansion of warehousing, storage and operational capacity is limited by shortage of land and relatively high costs of conducting business in Hong Kong.

The expansion of our warehousing and storage capacity may be constrained by the general shortage of land in Hong Kong. We may encounter difficulties when securing warehousing space when we seek to expand our storage capacity in the future. We may also face keen competition with competitors in the food and beverage grocery distribution industry or businesses in other industries that require storage space. In addition, given the high demand for warehouse facilities, we may not have bargaining power to negotiate for commercially acceptable terms when securing the tenancy of such warehouse facilities. Further, the costs of doing business in Hong Kong is high as compared to its surrounding regions. In view of the high rental prices and high labour costs in Hong Kong, our Group needs to exercise careful control over our expenditures in these areas. Should we fail to control our costs, the financial performance of our Group may be adversely affected. Our expansion of warehousing storage and operational capacity may be materially affected.

Any outbreak of animal diseases, epidemic of contagious diseases in the PRC, Hong Kong or overseas countries may have a material adverse effect on our business operations and financial condition.

Some of the food and beverage grocery products we currently distribute are manufactured in the PRC. We also distribute food and beverage grocery items imported from overseas countries, particularly European 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 which 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, swine influenza, might also result in unfavourable business operating conditions for our suppliers and customers such as decline in the catering and food retail industry, slowdown in economic growth and overall negative business sentiment. As our revenue heavily relies on the continuous and stable supply of products by our suppliers and sales of products to our customers, our business and financial performance may in turn be materially and severely affected. Furthermore, the occurrence of such outbreaks of animal or communicable diseases affecting humans in the PRC or other countries from which we import our products may generate public concerns for their safety, influence customers' confidence in our brand and adversely affect our reputation.

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

The food and beverage grocery distribution industry is affected by various macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels, disposal income level and consumer spending patterns which are beyond the control of our Group. In particular, some of our Group's major customers are chain restaurants and hotels in Hong Kong, any deterioration of the Hong Kong economy, decrease in disposable consumer income, fear of a recession and decreases in consumer

RISK FACTORS

confidence may lead to a reduction of guest traffic and average spending per invoice of our customers' business, which could in turn reduce the demand for our products by our customers and materially and adversely affect our financial condition and results of operations. In addition, 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 our financial condition and results of operations may be adversely affected.

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 Joint Bookrunners (for themselves 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 the section headed "Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination" of this prospectus 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, and the liquidity, market price and trading volume of our Shares may be volatile

Prior to the Listing, there was no public market for our Shares. The indicative range of the Offer Price was determined as a result of negotiations between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters). The Offer Price may differ significantly from the market price for the Shares after the Listing.

We have applied for the listing of and permission to deal in our Shares on GEM. However, even if approved, being listed on GEM does not guarantee that an active trading market for our Shares will develop following the Share Offer or that our Shares will always be listed and

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traded on GEM. There is no assurance that the Listing will result in the development of an active and liquid public trading market for the Shares or that the market price of our Shares will not decline below the Offer Price.

The price and trading volume of our Shares may be highly volatile. The market price of the Shares may fluctuate significantly and rapidly as a result of the following factors, among other things, some of which are beyond our control:

- variations in our revenue, earnings and cash flows;
- announcements of new investments, strategic alliances or acquisitions;
- fluctuations in market prices of our products and services;
- changes in securities analysts' analysis of our financial performance;
- concentration of shareholding in the hands of small number of investors;
- addition or departure of our key personnel;
- our involvement in litigation; and
- general economic and stock market conditions in Hong Kong and across the globe.

Any of the above factors may result in large and sudden changes in the volume and price at which our Shares will trade.

Stock markets and the shares of some listed companies in Hong Kong have experienced price and volume fluctuations in recent years, some of which may have been unrelated or disproportionate to the operating performance of such companies.

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 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 Shareholders, the percentage ownership of the existing Shareholders 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 exerts pressure to 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.

RISK FACTORS

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 “Appendix IV – Statutory and General Information – D. Share Option Scheme” in this prospectus.

There can be no assurance that we will declare or distribute any dividend in the future

During the Track Record Period, our Group declared dividends of HK\$7.2 million, HK\$4.3 million and HK\$0.7 million, respectively. However, our Group’s historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Group in the future. As the Company is a holding company, our decision to declare and pay dividends substantially depends on the results of business operations which are principally conducted through its subsidiaries, as well as our financial conditions and other factors deemed relevant. In this regard, our ability to make dividend payments depends upon the receipt of dividends, distributions or advances from its subsidiaries. In addition, our future declarations of dividends will be at the absolute discretion of our Board. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. In any event, there can be no assurance that we will be able to declare or distribute any dividend.

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

The sale of a significant number of Shares by our Controlling Shareholders or substantial shareholders in the public market after the Listing, or the perception that such sale may occur, could adversely affect the market price of the Shares. Except as otherwise described in the section headed “Underwriting” in this prospectus and the restrictions set out by the GEM Listing Rules, there is no restriction imposed on our Controlling Shareholders or substantial shareholders of our Company to dispose of their shareholdings. Any major disposal of Shares by any of our Controlling Shareholders or substantial shareholders of our Company may cause the market price of the Shares to fall. In addition, these disposals 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.

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 indicated by the use of forward-looking terminology such as “believe”, “intend”, “anticipate”, “estimate”, “plan”, “potential”, “will”, “would”, “may”, “should”, “expect”, “seek” or similar terms. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, even if the Directors believe the assumptions related to those forward-looking statements are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this prospectus should not be regarded as representations by our Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

Investors should not rely on any information contained in press articles or other media regarding our Group or the Share Offer

There may be press and media coverage regarding our Group or the Share Offer, which may include certain financial information, financial projections valuations and other information about our Group that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

To the extent that such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information and should rely only on information included in this prospectus in making any decision as to whether to invest in our Shares.

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 take full responsibility, includes particulars given in compliance with the Companies Ordinance, Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and is neither misleading nor deceptive;
- (b) there are no other matters the omission of which would render any statement herein or this prospectus as a whole misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are considered fair and reasonable.

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

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer, comprising the Placing and the Public Offer. Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. The Listing is sponsored by the Sole Sponsor. The Share Offer is managed by the Joint Bookrunners. The Public Offer will be fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the agreement to the Offer Price between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. For further details about the Underwriters and the Underwriting Agreements, please refer to the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

OFFER PRICE

The Offer Shares are being offered at the Offer Price, which is expected to be fixed by the Price Determination Agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is currently scheduled to be on or about Friday, 7 April 2017 or such later date as the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company may agree. If, for whatever reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to agree on the Offer Price by the Price Determination Date, the Share Offer will not become unconditional and will lapse. For full information relating to the determination of the Offer Price, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

SELLING RESTRICTIONS

No action has been taken to permit any offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute, any offer or invitation nor is it taken as an invitation or solicitation of offers in any jurisdiction or under any circumstances where such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

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

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

Prospective investors 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.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

APPLICATION FOR THE LISTING ON GEM

Application has been made to the Listing Division 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 on GEM and the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any option which may be granted under the Share Option Scheme. No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. A total of 280,000,000 Offer Shares comprising the issue of 280,000,000 new Shares for subscription, representing 25% of our Company’s issued share capital, will be in the hands of the public immediately following the completion of the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) and upon the Listing. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

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

Save as disclosed herein, no part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, we are not seeking or proposing to seek a listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

OFFER SIZE ADJUSTMENT OPTION

Details of the Offer Size Adjustment Option are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

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

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong branch share registrar, Tricor Investor Services Limited, in Hong Kong.

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

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

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 Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles of Association.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

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

COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Thursday, 13 April 2017. Shares will be traded in board lots of 10,000 Shares each. The stock code for the Shares is 8413. Our Company will not issue any temporary document of title.

CURRENCY TRANSLATIONS

Unless otherwise specified, translations of US\$, EUR into HK\$ in this prospectus are based on the exchange rates set out below (for the purpose of illustration only):

US\$1.00	:	HK\$7.75
EUR1.00	:	HK\$8.65

No representation is made that any amounts in US\$, EUR and HK\$ can be or could have been converted at the relevant dates at the above exchange rate or any other rates.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amount may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
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Executive Directors

Mr. WONG Siu Man (黃少文) (Chairman)	Flat D, 42/F., Tower 1 Residence Oasis 15 Pui Shing Road Tseung Kwan O New Territories Hong Kong	Chinese
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Mr. WONG Siu Wa (黃少華) (Chief Executive Officer)	Flat D, 38/F., Tower 1 Residence Oasis 15 Pui Shing Road Tseung Kwan O New Territories Hong Kong	Chinese
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Mr. YIP Kam Cheong (葉錦昌) ("Mr. Jeremy Yip") (Compliance Officer)	Flat C, 27/F, Block 5, Vista Paradiso Ma On Shan, New Territories, Hong Kong	Chinese
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Non-executive Director

Mr. WONG Chun Hung Hanson (黃俊雄) ("Mr. Hanson Wong")	Flat B, 38/F, The Signature 8 Chun Fai Terrace Tai Hang Hong Kong	Chinese
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Independent non-executive Directors

Mr. TO Yan Ming Edmond (杜恩鳴)	Flat A, 22/F., Tower 2 1 Austin Road The Waterfront Tsim Sha Tsui Kowloon Hong Kong	Chinese
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Mr. CHAU Shing Yim David (周承炎)	Flat I, 15/F Hoi Kung Court 268 Gloucester Road Causeway Bay Hong Kong	Chinese
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Mr. WONG Garrick Jorge Kar Ho (黃嘉豪)	Avenida Sidonio Pais No. 71 The Phoenix Terrace 20-Andar-A Macau	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

For more information on the Directors and members of senior management, please refer to the section headed “Directors and Senior Management” in this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

South China Capital Limited

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

Joint Bookrunners and Joint Lead Managers

South China Securities Limited

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

China Prospect Securities Limited

Unit 1113A & 1115
11/F, COSCO Tower
183 Queen’s Road Central
Hong Kong

Co-Manager

China Sky Securities Limited

Room 1106
11/F, COSCO Tower
183 Queen’s Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal Advisers to our Company

As to Hong Kong Law

Deacons

5th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

As to Cayman Law

Maples and Calder (Hong Kong) LLP

53rd Floor, The Center
99 Queen's Road
Central
Hong Kong

**Legal Advisers to the Sole Sponsor,
the Joint Bookrunners,
the Joint Lead Managers and
the Underwriters**

As to Hong Kong Law

P. C. Woo & Co.

12/F, Prince's Building
10 Chater Road
Central
Hong Kong

Receiving Bank

**Standard Chartered Bank (Hong Kong)
Limited**

15/F, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon

Auditors and Reporting Accountants

Deloitte Touche Tohmatsu

Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Industry Consultants

Frost & Sullivan International Limited

Unit 08, 26/F
No. 9 Queen's Road
Central
Hong Kong

Internal Control Advisers

SHINEWING Risk Services Limited

43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
Head Office and Principal Place of business in Hong Kong	4/F., How Ming Factory Building 99 How Ming Street, Kwun Tong Kowloon Hong Kong
Website address	www.agdl.com.hk <i>(information on this website does not form part of this prospectus)</i>
Company secretary	Mr. CHAN Po Chak CPA Flat 1301, Lei King House Lei On Court, Lei Yue Mun Road, Lam Tin, Kowloon
Authorised representatives	Mr. WONG Siu Man Flat D, 42/F Tower 1 Residence Oasis 15 Pui Shing Road Tseung Kwan O New Territories Hong Kong Mr. CHAN Po Chak Flat 1301, Lei King House Lei On Court, Lei Yue Mun Road, Lam Tin, Kowloon
Compliance officer	Mr. YIP Kam Cheong
Principal bankers	Nanyang Commercial Bank, Limited
Audit Committee	Mr. CHAU Shing Yim David (<i>Chairman</i>) Mr. TO Yan Ming Edmond Mr. WONG Garrick Jorge Kar Ho
Remuneration Committee	Mr. TO Yan Ming Edmond (<i>Chairman</i>) Mr. CHAU Shing Yim David Mr. WONG Garrick Jorge Kar Ho

CORPORATE INFORMATION

Nomination Committee

Mr. WONG Garrick Jorge Kar Ho (*Chairman*)
Mr. CHAU Shing Yim David
Mr. TO Yan Ming Edmond

**Principal share registrar and
transfer office**

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall, Cricket Square
Grand Cayman KY1-1102
Cayman Islands

**Hong Kong branch share registrar and
transfer office**

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Compliance adviser

LY Capital Limited
Rooms 1901-02
China Insurance Group Building
141 Des Voeux Road, Central
Hong Kong

INDUSTRY OVERVIEW

The information that appears in this section is derived from the F&S Report prepared by Frost & Sullivan, and reflects estimates of market conditions based on publicly available resources and surveys, as well as detailed primary and secondary research. Our Directors are satisfied that the disclosure of future projections and industry data in this section is not biased or misleading. We believe that the sources of such information are appropriate and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respects or that any fact has been omitted that would render such information false or misleading in any material respects. The information in the F&S Report and in this section has not been independently verified by us, the Sole Sponsor, the Underwriter or any other party involved in the Share Offer. No representations is given as to the accuracy and completeness of such information which should not be unduly relied upon in making any investment decisions.

SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct comprehensive research, analyse and report on the food and beverage grocery industry in Hong Kong for a total fee of HK\$400,000 which we believe reflect market rate. The F&S Report was completed in October 2016 and all statistics referred therein are based on information available at the time of reporting.

Established in 1961, Frost & Sullivan is an independent global consulting firm dedicated to and experienced in conducting industry research and providing consultancy services including market strategies and corporate training. In arriving at the qualitative and quantitative analysis contained in the F&S Report, Frost & Sullivan has conducted both primary and secondary research on the food and beverage grocery industry in Hong Kong. Primary research involved interviewing and engaging leading industry participants and industry experts in collecting their views on the industry landscape, market trend and forecast. Secondary research was conducted by reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. The market projection figures were obtained from reviewing and analysing historical data plotted against macroeconomic data, and taking industry-specific drivers into account.

The market projections for the forecast period from 2016 to 2020 in the F&S Report were based on two key assumptions and parameters, including (i) the social, economic and political environment in Hong Kong is likely to remain stable, and (ii) the key drivers are likely to drive the food and beverage grocery industry.

Our Directors confirm that there is no material adverse change in the market information since the issue of the F&S Report which may qualify, contradict, misrepresent or otherwise adversely affect the accuracy and completeness of the information in this section in material respects.

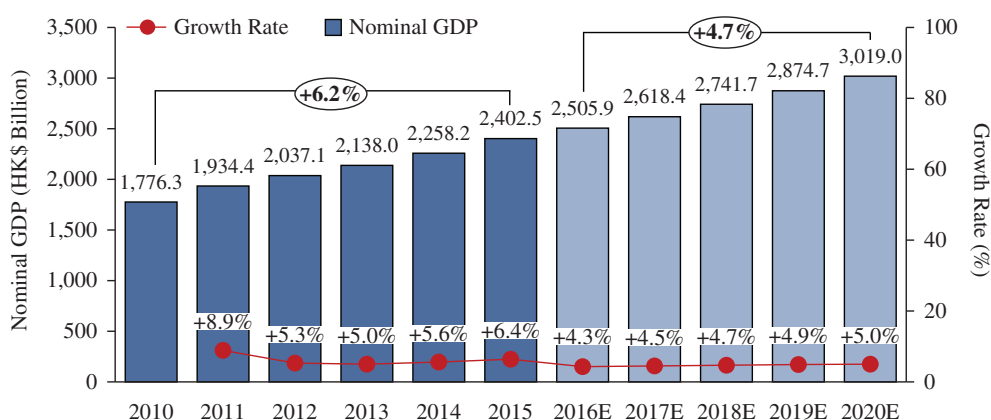
INDUSTRY OVERVIEW

OVERVIEW OF HONG KONG MACROECONOMICS

Nominal GDP

The economy of Hong Kong displayed stable growth from 2010 to 2015, and is anticipated to sustain moderate growth for the forecast period from 2016 to 2020. According to the International Monetary Fund and the Census and Statistics Department of Hong Kong, the nominal GDP of Hong Kong increased from HK\$1,776.3 billion in 2010 to HK\$2,402.5 billion in 2015, representing a five-year CAGR of approximately 6.2%, and is expected to attain HK\$3,019.0 billion in 2020, accounting for a five-year CAGR of 4.7% from 2016 to 2020. The per capita nominal GDP also increased accordingly from approximately HK\$251,887 in 2010 to approximately HK\$328,594 in 2015, reaching a five-year CAGR of 5.5% and is forecasted to reach HK\$400,368 in 2020, representing a five-year CAGR of 4.1%.

Nominal GDP and Forecast (Hong Kong), 2010-2020E

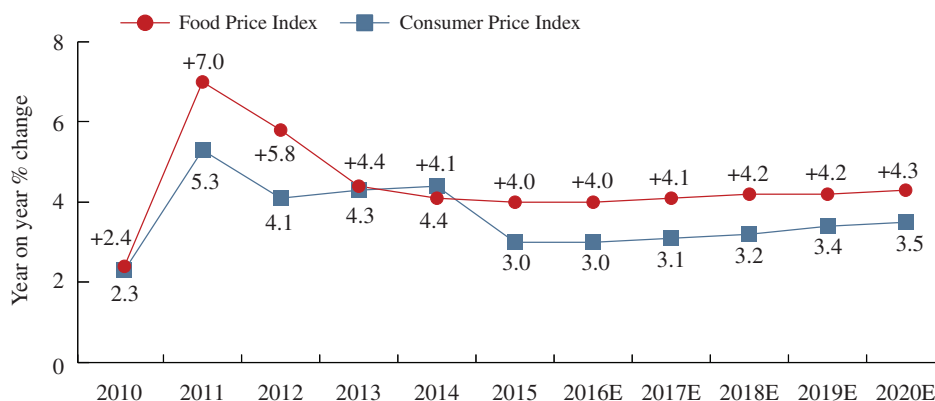


Source: F&S Report

Consumer Price Index and Food Price Index

The Consumer Price Index (CPI) in Hong Kong grew with average year-on-year increase of 3.9% from 2010 to 2015 and is expected to grow steadily during the forecast period from 2016 to 2020. Over the same review period, the Food Price Index (FPI), which represents the changes of price level in particular to a basket of food commodities, also reflected a similar growth rate from 2.4% in 2010 to 4.0% in 2015.

Consumer Price Index & Food Price Index (Hong Kong), 2010-2020E



Source: Census and Statistics Department of Hong Kong; F&S Report

INDUSTRY OVERVIEW

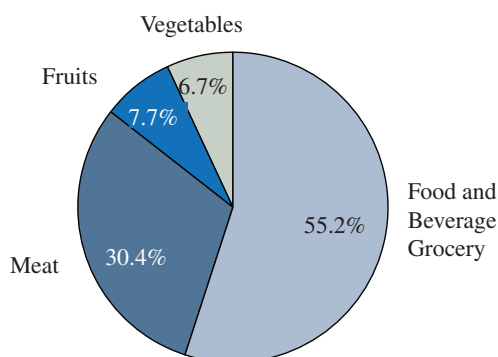
OVERVIEW OF HONG KONG FOOD AND BEVERAGE GROCERY INDUSTRY

Hong Kong Food and Beverage Industry

The food and beverage grocery supply chain initiates from the food and beverage manufacturers and brand owners who manufacture and sell products to wholesalers, brand agents and distributors like us, who in turn on-sell to catering establishments, such as restaurants, hotels and private clubs, food processing operators and non-commercial dining establishments, for their preparation of dishes for end customers. Different from the upper-tier suppliers, we, as intermediate suppliers in the food and beverage grocery supply chain, focus on establishing reliable relationships with the upper-tier suppliers, building stable distribution networks and distributing a wide spectrum of products to catering establishment and we also add value to the products by offering additional services, such as product sourcing, repackaging, quality assurance, warehousing and storage and transportation, to our customers. The food and beverage grocery segment plays a dominant role in the broader food and beverage industry in Hong Kong, accounting for approximately 55.2% of the market share in terms of sales revenue.

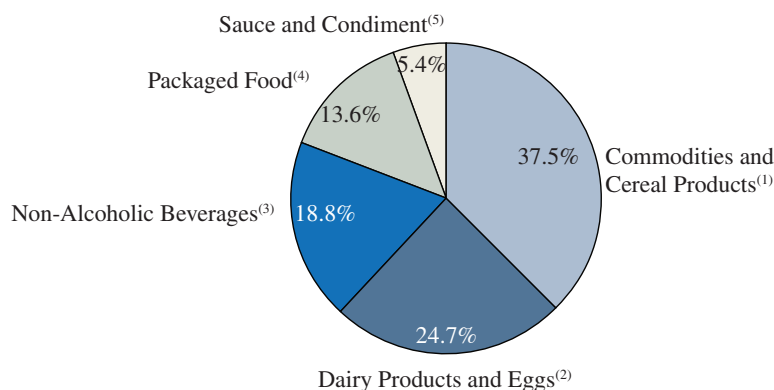
Market Share of Hong Kong Food and Beverage Industry by Sales Revenue (2015)

Total Sales Revenue = approximately HK\$80.2 billion



Source: F&S Report

Market Share of Food and Beverage Grocery Segment by Sales Revenue (2015)



Source: F&S Report

INDUSTRY OVERVIEW

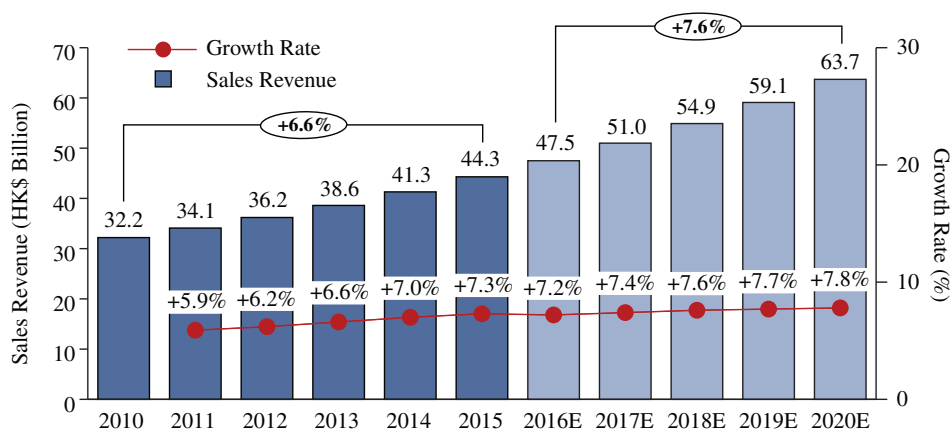
Notes:

1. Commodities and cereal products include rice, wheat flour, noodle products such as ramen and pasta, edible oil, as well as sugar and salt.
2. Dairy products and eggs include milk, milk powder, margarine, fresh and processed cheese, as well as fresh and preserved animal eggs.
3. Alcoholic beverages are excluded from the market share analysis as this grocery segment only accounted for a small portion of the Company's total revenue during the Track Record period. In addition, given the alcoholic beverage segment has a relatively large market size of approximately HK\$20.0 billion in 2015, adding this segment to the market share analysis will not produce a fair representation of the market share distribution of other grocery segments in the food and beverage grocery industry.
4. Packaged food include processed products such as meat and vegetables in preserved, canned, frozen and other forms, as well as snacks and pre-packaged food items.
5. Sauce and condiment include dry powder, sauces and spices.

Market Size and Growth of Hong Kong Food and Beverage Grocery Industry

In the past years, the food and beverage grocery industry experienced a solid growth. The total sales revenue of the industry increased from HK\$32.2 billion in 2010 to HK\$44.3 billion in 2015, representing a five-year CAGR of 6.6%. The total sales revenue of the industry is predicted to reach HK\$47.5 billion and HK\$63.7 billion by 2016 and 2020, respectively, representing a five-year CAGR of 7.6%.

Sales Revenue of Food and Beverage Grocery Industry (Hong Kong), 2010-2020E



Note: Sales revenue does not include revenue of retailers.

Source: F&S Report

With continuing demand of catering services and rising consumptions, the six grocery segments divided by product types experienced steady growth in terms of sales revenue. The table below summarises the historical sales revenue of each grocery segment (except kitchen products due to its wide diversity) in 2010 and 2015, as well as the forecasted period in 2016 and 2020, and the respective five-year CAGRs.

INDUSTRY OVERVIEW

Grocery segment	Historical sales revenue		<i>Five-year CAGR</i> (%)	Forecasted sales revenue		<i>Five-year CAGR</i> (%)
	<i>(HK\$ billion)</i>			<i>(HK\$ billion)</i>		
	2010	2015		2016	2020	
Commodities and cereal products	12.9	16.6	5.2	17.6	22.3	6.1
Dairy products and eggs	7.6	10.9	7.6	11.9	16.6	8.8
Beverages						
– Non-alcoholic	5.7	8.3	8.1	9.1	12.8	8.9
– Wine and beer	9.6	17.7	13.1	20.2	34.3	14.1
Packaged food	4.1	6.0	7.9	6.5	9.0	8.4
Sauce and condiments	2.0	2.4	3.6	2.5	3.0	4.8

Catering Market as the Key Demand Driver For Food and Beverage Grocery Industry

The food and beverage grocery industry is heavily reliant and positively correlated with the catering market in Hong Kong for the demand of food products and beverages. The value chain of food and beverage grocery supply initiates from manufacturers and brand owners who produce food and beverage products, which are then distributed via food and beverage wholesalers, distributors or agents to catering establishments for end consumers. Apart from selling products, many distributors offer additional value-adding services, such as repackaging of products. Since the catering market in Hong Kong is positioned along such value chain as consumption establishments, it will largely influence the demand of food and beverage groceries, and the development of food and beverage grocery industry. The continuous growth in the number of food service operators would lead to buoyant consumptions in food and beverage groceries, providing a solid boost for food and beverage grocery industry.

Restaurants

According to the F&S Report, the total number of restaurants increased from 13,350 in 2010 to 24,100 in 2015, representing a five-year CAGR of 12.5%. The continuous increase in local demand, further development of tourism in Hong Kong and the recent gradual decrease in rents are the major driving forces for the rising number of new restaurants in Hong Kong. The number of restaurants is forecasted to maintain a fast-paced growth, reaching 44,220 by 2020 with a five-year CAGR of 12.9%. Among all food service operators, restaurants are the major components of the catering market and divided into different types.

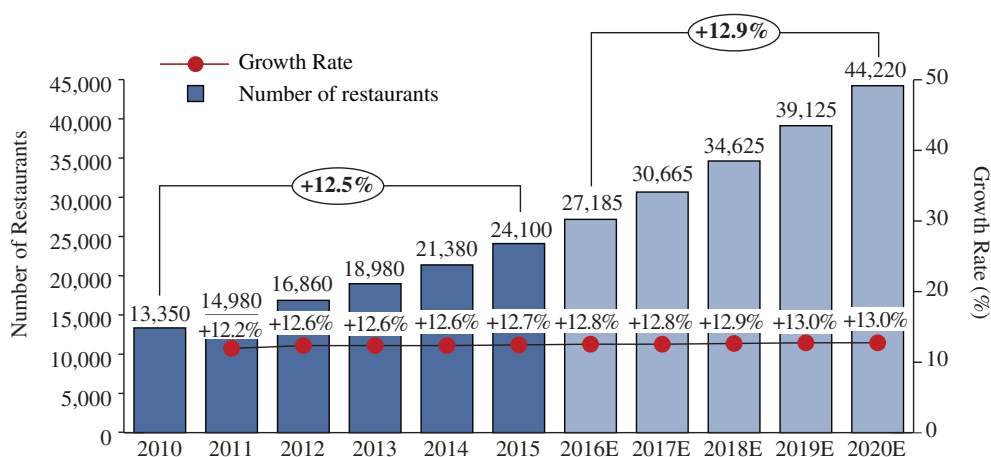
The Chinese and non-Chinese restaurants segments show moderate growth. For Chinese restaurants, the sales revenue increased from HK\$57.0 billion in 2010 to HK\$66.2 billion in 2015, representing a five-year CAGR of 3.0%. It is estimated to reach HK\$79.5 billion by 2020, with a five-year CAGR of 3.9%. Following similar upward trend, the sales revenue of non-Chinese restaurants also increased from HK\$23.3 billion in 2010 to HK\$29.9 billion in 2015, reaching a five-year CAGR of 5.1%. It is forecasted to attain HK\$39.5 billion by 2020 with a five-year CAGR of 5.8%.

INDUSTRY OVERVIEW

The five-year CAGR of 12.9% and 5.8% during the period of 2016-2020 for the number of restaurants and restaurant revenue, respectively, are calculated based on the historical growth trend of the number of restaurants and restaurant revenue indicated between 2010-2015, i.e. 12.5% and 5.1%, respectively. The significant growth in the number of restaurants is mainly attributable to the growth in macro economic conditions in Hong Kong contributed by stable growth in economy, gradual improvement of tourism industry as well as the increased percentage of dining-out populations in Hong Kong. Further, driven by the rapid expansion of different types of restaurants in Hong Kong, particularly for chain restaurants and fast food restaurants in order to meet the growing demand from the consumers in the catering market, the number of restaurant establishments is expected to increase substantially.

Compared to the rapid growth of the number of restaurants, the restaurant revenue is expected to grow at a relatively stable and moderate trend because the competition of catering market in Hong Kong is highly intensified in light of the increased number of the restaurants, and many restaurant operators are forced to reduce the pricing of their food services to attract and retain customers, which in turn will hamper the overall revenue growth of the catering industry in Hong Kong. Furthermore, it is expected that the number of chain restaurants and fast food restaurants which typically adopt low-pricing strategies and offer affordable and reasonably-priced food services will increase in the future.

Number of Restaurants (Hong Kong), 2010-2020E



Source: F&S Report

Non-commercial Dining Establishments

Non-commercial dining establishments refer to establishments which offer or require catering services either on profit or charitable basis, and include canteens or other catering establishments in (a) schools, (b) medical institutions and (c) non-profit organisations.

The numbers of these sub-categories of non-commercial dining establishments in Hong Kong show a general upward trend with varying degrees of growth. The total number of schools has increased steadily from 2,177 in 2010 to 2,307 in 2015 with a five-year CAGR of 1.2%. It is expected to maintain growth and reach 2,587 by 2020. With Hong Kong gaining popularity as the regional base for advocacy groups, charitable organisations, professional institutions and religious organisations, the total number of non-profit organisations

INDUSTRY OVERVIEW

experienced rapid growth from 23,300 in 2010 to 31,180 in 2015, attaining a five-year CAGR of 6.0%. It is forecasted to reach 41,884 by 2020. In addition, due to the ageing population and the resultant increased demand of health care in Hong Kong, the total number of medical institutions, which include public, private hospitals and elderly health care centres, experienced stable growth and increased from 116 in 2010 to 135 in 2015, representing a five-year CAGR of 3.1%. It is expected to rise to 164 by 2020 with a five-year CAGR of 4.0%.

Hotels and Private Clubs

As of 2015, there were over 1,500 hotels and private clubs in Hong Kong. The hotels and private clubs segment experienced solid growth with increased sales revenue from HK\$5.8 billion in 2010 to HK\$8.1 billion in 2015, achieving a five-year CAGR of 7.0%. With further expansion of hotels and private clubs, as well as the continuous rise in local demand of consumers, the sales revenue for this segment is expected to reach HK\$10.9 billion by 2020 with a five-year CAGR of 6.5%. Deriving support from growing tourism, the number of hotels in Hong Kong displayed stable growth with an increase from 175 in 2010 to 253 in 2015, representing a five-year CAGR of 7.7%. It is expected to reach 372 by 2020 with a five-year CAGR of 8.0% from 2016 to 2020.

Food Processing Operators

In the past years, the number of food processing operators in Hong Kong increased from 873 in 2010 to 1,107 in 2015 with a five-year CAGR of 4.9%. It is expected to reach 1,297 by 2020, realising a five-year CAGR of 3.3%.

Recent Trends for the Hong Kong Catering Market

Diversification of dining establishments

The catering market in Hong Kong experienced substantial expansion in terms of both number of dining establishments, as well as the diversity of cuisines offered to consumers. The wide spectrum of food service operators in Hong Kong caters for the dining needs of different consumers, ranging from high-end fine dining houses, full-service restaurants to food courts and eating outlets for casual dining, offering a broad range of multi-national cuisines to appeal to and capture different consumers' tastes.

Economic growth and increasing expenditure on dining out

Food service operators in Hong Kong are expected to benefit from the stable growth of the economy in Hong Kong with nominal GDP increased from approximately HK\$1776.3 billion in 2010 to HK\$2,402.5 billion in 2015, realising a CAGR of 6.2%. With the growing economy coupled with the generally fast-paced lifestyle in Hong Kong, the number of consumers opting to dine out is on an upward trend, which in turn increases the expenditure on catering services and brings revenue to food service operators.

Creativity in developing menu and marketing

Food service operators in Hong Kong increasingly focus on the use of creativity in designing special dishes and developing menu to attract consumers. Creative means in broadening channels for marketing, such as making use of social media platforms and mobile applications, also help reach out and capture a broader range of consumers.

INDUSTRY OVERVIEW

Future outlook

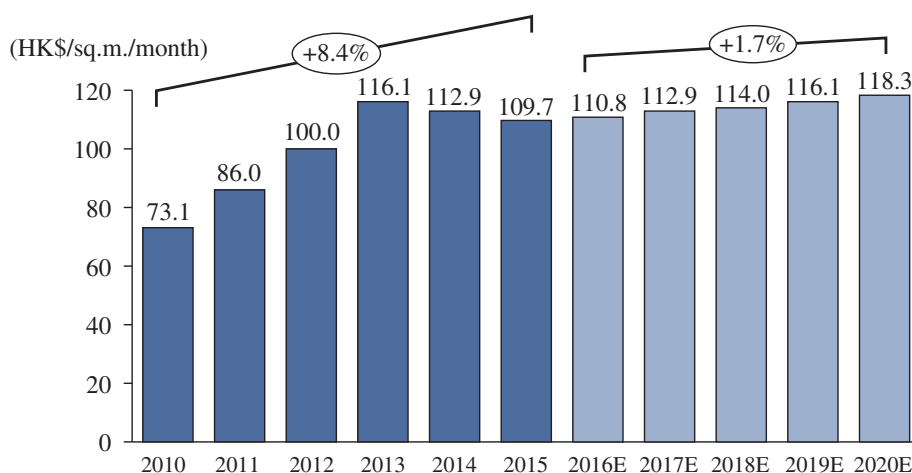
Along with the stable growth of the general economic condition and the food and beverage grocery industry in Hong Kong, the recent trends elaborated above are expected to continue, indicating a promising future for the Hong Kong catering market.

Market Challenges

Food and beverage grocery companies in Hong Kong are likely to encounter challenges when seeking to expand customer base and diversify source of revenue as large-scale catering establishments in Hong Kong often have established and relatively stable supply network, and may be resistant to engage new suppliers for the same products if their existing suppliers maintain their services at a satisfactory level. Furthermore, given the limited local resources and supply, food and beverage grocery companies in Hong Kong rely on importing their products. Costs for procuring such imported products may be increased due to high logistics and transportation expenses, compounded with the general upward trend of the wholesale price of major food and beverage groceries in Hong Kong. Food and beverage distributors also face increasing labour costs and high warehouse rents for business operations in Hong Kong, which may diminish their expected profit margins.

The following tables set out the trend of warehouse rents and import price of major food and beverage groceries in Hong Kong:

Average Rents of Warehouse (Hong Kong), 2010-2020E

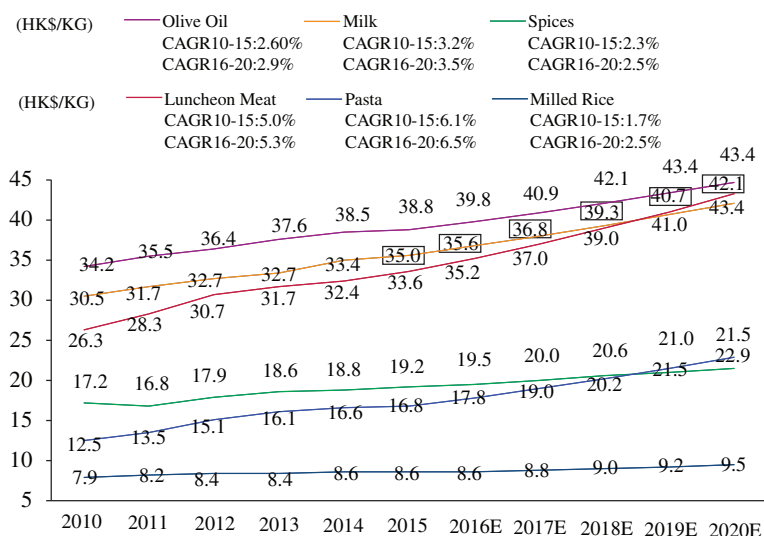


Source: F&S Report

The high rental costs for warehouses in Hong Kong are expected to limit the expansion of storage capacity and distribution network of market players which may in turn restrict the availability of their business scale in general. From 2010 to 2015, the average rents of warehouse increased from approximately HK\$73.1 per sq.m. per month to approximately HK\$109.7 per sq.m. per month, representing a five-year CAGR of approximately 8.4%. Although the average warehouse rents decreased from 2013 to 2015 due to economic downturn and the rising supply of warehouses in Hong Kong, it is expected to reach approximately HK\$118.3 per sq.m. per month by 2020, representing a five-year CAGR of approximately 1.7%. In particular, the range of average warehouse rents in the New Territories and Hong Kong Island is expected to maintain a stable upward trend, reaching HK\$118.0 to HK\$150.0 per sq.m. per month in 2018.

INDUSTRY OVERVIEW

Import Price of Major Food and Beverage Grocery Products (Hong Kong), 2010-2020E



Source: F&S Report

The majority of the food and beverage consumed in Hong Kong rely on import. Olive oil, milk, luncheon meat, spices, pasta, and milled rice are major grocery products commonly purchased by catering establishments. The import price of luncheon meat, pasta, and milled rice illustrated an upward trend in the period of 2010 to 2015. In 2015, the import price of luncheon meat, pasta, and milled rice reached approximately HK\$33.6 per k.g., HK\$16.8 per k.g., and HK\$8.6 per k.g. respectively.

For labour costs, the monthly salary median of employees in Hong Kong experienced stable growth in the recent years. The median has increased from approximately HK\$10,263 in 2010 to approximately HK\$13,956 in 2015, representing a CAGR of approximately 6.3%. Driven by the improvement of overall economy in Hong Kong, further growth is expected for the salary of employees in Hong Kong and the monthly salary median of employees is expected to reach approximately HK\$19,121 by 2020, representing a five-year CAGR of approximately 6.5%.

The high transportation costs especially for local land transportation are expected to limit the expansion of sourcing capacity of market players. From 2010 to 2015, the land transportation costs in Hong Kong illustrated stable increase while the costs range increased from HK\$40,300-HK\$80,500 per truck per month in 2010 to HK\$50,500-HK\$99,500 per truck per month in 2015. It is estimated that the land transportation costs will continue to rise gradually in the future, taking up a significant portion of total operational costs of market players.

Competitive Landscape of the Food and Beverage Grocery Distribution Industry in Hong Kong

The food and beverage grocery distribution industry in Hong Kong is characterised by its fragmented share taken up by a diversified spectrum of market players, including food and beverage importers, wholesalers, manufacturers, agents, retailers and distributors, from Hong Kong and overseas. As of the end of 2015, there were around 850 food and beverage grocery

INDUSTRY OVERVIEW

distribution companies in the market with the total market sales revenue amounting to approximately HK\$44.3 billion. Keen competition leads to a stimulating and progressive business environment for food and beverage grocery suppliers to develop their competitive strengths and sharpen their business objectives. Competition also provides impetus for market players to diversify their product portfolio and improve related services to enhance customers' experience in sourcing food and beverage groceries for their catering businesses.

According to the F&S Report, the ten largest food and beverage grocery distributors accounted for approximately HK\$2.9 billion in terms of revenue, representing a combined 6.5% of the market share of the food and beverage grocery distribution market in Hong Kong in 2015. We face fierce competition from other participants in the industry such as food and beverage importers and wholesalers who have established stable relationship with upper-tier suppliers; brand agents who have built up reliable distribution networks; scaled manufacturers who have strong distributing and production capacities; and other distributors who operate under similar business models and offer similar product mix. The pool of suppliers of the ten largest food and beverage grocery distributors ranges from 50 to 400 suppliers, offering approximately 1,500 to 5,000 products and approximately 2,500 to 8,000 SKUs to a wide customer base ranging from 900 to 3,000. Our Group occupied an estimated 0.35% of market share with approximately HK\$156.2 million revenue in 2015, and offered over 2,100 food and beverage groceries and over 3,800 SKUs of branded and non-branded products to over 1,100 customers as of the Latest Practicable Date.

In addition, in light of the relatively stable supply relationship with catering establishments, the competitive landscape of the food and beverage grocery distribution industry is expected to remain over the forecasted period without major merger and acquisition activities identified for market consolidation.

Entry Barriers

Development of diversified product portfolio

The capabilities of offering a wide spectrum of products for customers are vital in the success of food and beverage grocery distributors. Customers generally have changing preferences for different food products and beverage according to the demand of the end consumers. A diverse product portfolio enables food and beverage grocery distributors to cater for the customers' varying needs. Developing such product portfolio requires food and beverage grocery distributors to have solid and established business relationships and network with different suppliers over time, as well as industry experience in understanding market trend and consumers' preferences when adding on the product offering.

Operation management and establishment of distribution network

Food and beverage grocery distribution business relies on specialised knowledge and industry experience in managing and coordinating various aspects of operation including building and maintaining extensive network with suppliers in sourcing diversified products; warehouse management in assessing and monitoring level of inventories and optimising storage conditions; integration of technology such as ERP system, a company-wide integrated information system, for automation and standardisation to improve operational efficiency; and logistics management such as liaising with transportation operators and arranging schedules, to ensure timely delivery of products and for reaching out to customers in different locations.

INDUSTRY OVERVIEW

Capital resources requirements

Food and beverage grocery distributors require sufficient working capital for overhead expenditures to support the business operations throughout the supply chain, including procurement of products from upper-tier suppliers, renting and running warehouses, as well as related logistics costs for product delivery. The high capital requirements and the industry experience are likely to pose barriers for new entrants without sufficient financial resources for these initial expenditures in setting up the business.

Future Opportunities and Outlook

According to the F&S Report, the following are the key success factors for market participants to capture future growth opportunities arising from the upward trend of sales revenue of the food and beverage grocery industry.

Diversification of product offering with awareness of health concepts

With the increase in the per capital disposable income and living standards, consumers are becoming increasingly conscious about the health value, safety and nutrition quality of food and beverage products, and are more inclined towards quality over price when choosing such products. Hence, products with high nutrition value such as organic food and beverages or other items that highlight healthy concepts are expected to increase in demand and give thrust to the food and beverage grocery industry. In addition, the operating environment in Hong Kong is characterised by relatively few regulatory measures for suppliers or brand owners to launch new products. It is expected that food and beverage grocery suppliers will continue to introduce new products and diversify their product offering in order to capture and cater for changing consumer preferences and tastes.

Warehouse facilities and management

The emphasis on effective inventory control and warehouse management contributes to driving down the overall operation costs. Establishing new warehouses enables food and beverage distributors to expand their warehousing and storage capacity for a greater range of products in order to broaden their product portfolio and selection to capture specific market segments with higher growth potential and profit margin in different locations. Efficient warehouse management also contributes to more effective coordination for transportation of products to customers to ensure timely delivery. It is expected that food and beverage distributors with extensive distribution network with properly managed warehouse facilities set up in different locations will be equipped to capture the anticipated growth of the food and beverage grocery industry.

Enhancement on automated operation and standardisation of business operations

The smooth operation of food and beverage grocery distribution business requires close attention to management of the supply chain. Investment in integrating technology into business operations such as using ERP system which is widely implemented in food and beverage grocery distributors enables more effective coordination and management of operations. The use of ERP system allows better control over various business operations, including inventory management and logistics arrangement for delivery of products to downstream customers. Food and beverage grocery distributors also benefit from the ERP

INDUSTRY OVERVIEW

system for enhancing warehouse efficiency and smoother flow of orders, as well as coordinating other internal administrative matters such as accounting, financial information and human resources management.

Rising demand for high-quality customer services

Apart from timely delivery of products, the ability to provide customised and value-added services plays a significant role in retaining and acquiring customers. Maintaining various customer services such as assigning dedicated sales representatives for direct order tracking and enquiries, promoting food and beverage products to targeted customers, and providing quality after-sales services to handle return of products and follow up complaints effectively would reinforce the image of the food and beverage grocery distributors as being reliable and dedicated to delivering effective food and beverage grocery supply solutions for customers and in turn increase their market share.

REGULATORY OVERVIEW

REGULATORY FRAMEWORK

Hong Kong regulatory overview

The following sets forth the most significant aspects of Hong Kong laws and regulations relating to our business operations in Hong Kong.

There are two principal types of registration required for the operation of our Group's businesses in Hong Kong. They are as follows:

- (a) food importation business; and
- (b) food distribution business.

Registration of food importation business and food distribution business under the Food Safety Ordinance

Since the enactment of the Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong) (the “FSO”) on 1 August 2011, food importers and food distributors who carry on a food importation or distribution business are required to register their businesses under the registration scheme and to keep records in relation to the food acquired, captured, imported and supplied by them. Sections 4(2) and 5(2) of the FSO both provides that contravention of the registration requirement would result in an offence, and the maximum penalty is a fine at level 5 (i.e. HK\$25,000 to HK\$50,000) and imprisonment for 6 months.

There are exceptions from complying with the registration requirement under the FSO which include if the business has already registered or obtained a licence under other specified ordinances; exemption granted directly from the Department of Food and Environment Health (“DFEH”); food imported solely for export and where, the food is air transshipment cargo or remains in the vessel in which it was imported during the period between import and export; food imported solely in the course of business of a food transport operator is exempted; and a person registered as a food importer is exempted from registration as a food distributor (but not the other way around).

Section 7(3) of the FSO provides that main food categories and food classifications of all food to be imported by the business (for a food importer) or supplied by wholesale by the business (for a food distributor) must be identified in the registration application. Apart from the registration requirement as set out above, the FSO also requires any person who, in the course of business, imports, acquires or supplies by wholesale food in Hong Kong to keep transaction records of the business from which the food was obtained and the business to which it was supplied.

REGULATORY OVERVIEW

The record-keeping requirements for local acquisition of food, imported food captured local aquatic products and wholesale supply of food are imposed under sections 21 to 24 of the FSO. Essentially, the record must at least contain: (i) the date the food was acquired, imported or supplied; (ii) the name and contact details of the person from whom the food was acquired or imported, or to whom the food was supplied; (iii) the place where the food was imported (in the case of importation); (iv) the total quantity of the food; and (v) a description of the food.

Furthermore, section 26 of the FSO provides that the records relating to food with shelf-life of 3 months or less must be kept for 3 months, while the records relating to food with shelf-life for greater than 3 months must be kept for 24 months. Sections 27 and 28 of the FSO empowers the DFEH to inspect the records, use the records for the purpose of exercising powers or performing functions under the FSO, and disclose the records to the public if the DFEH is satisfied that public disclosure is necessary for the protection of public health. Failure to comply with the aforesaid sections would result in an offence, and the maximum penalty is a fine at level 3 (i.e. HK\$5,000 to HK\$10,000) and imprisonment for 3 months.

DFEH 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. DFEH relies on the Demerit Point System 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.

As our Group primarily engages in the distribution of our food products 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 Food Safety Ordinance. For details on our registrations, please refer to the section headed “Business – Licences, Certificates and Registrations” in this prospectus.

Consumer Goods Safety Ordinance

As some of our food and beverage grocery 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

REGULATORY OVERVIEW

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 is served with a notice and fails or refuses to comply with the notice commits an offence under the CGSO, which may be punishable by a fine and/or imprisonment.

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 “**Import and Export Registration Regulations**”) provide that every person who imports or exports any article other than an exempted article shall lodge an accurate and complete import or export declaration relating to such article using services provided by a specific body with the Commissioner of Customs and Excise within 14 days after the importation and exportation of the article. As we import products from overseas, we are subject to the regulations of the Import and Export Registration Regulations.

Any person failing to declare within 14 days after the importation without reasonable excuse is liable to a fine of HK\$1,000 upon summary conviction and HK\$100 in respect of every day such declaration has not been lodged. Furthermore, the Import and Export Registration Regulations 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.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

Our Company was incorporated in the Cayman Islands under the Companies Law on 29 September 2016 in preparation for the Listing and is the holding company of our Group. Our Company was incorporated as part of our Reorganisation, details of which are set out in “Reorganisation” in this section below.

As a result of the Reorganisation (as explained below), prior to the Share Offer and the Capitalisation Issue, our Company was owned (i) as to approximately 92% by Mr. Wong Siu Man, Mr. Wong Siu Wa and Glory Concord collectively through Sky Alpha; (ii) as to approximately 8% by Mr. Hanson Wong and Mr. Terence Mak through Trillion Advance. Sky Alpha was owned as to 58.38% by Mr. Wong Siu Man, 38.92% by Mr. Wong Siu Wa and 2.7% by Glory Concord. Trillion Advance was owned as to 66.7% by Mr. Hanson Wong and 33.3% by Mr. Terence Mak. Details of our shareholding structure are set out in the paragraphs headed “Corporate structure and development” and “Reorganisation” in this section below.

Immediately following the completion of the Capitalisation Issue and the Share Offer, Mr. Wong Siu Man and Mr. Wong Siu Wa, will together, through Sky Alpha, control approximately 69% of the voting rights in our Company (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares which may be allotted and issued upon any exercise of the options which may be granted under the Share Option Scheme). As such, Mr. Wong Siu Man, Mr. Wong Siu Wa and Sky Alpha will be able to exercise more than 30% of the Shares immediately after the completion of the Capitalisation Issue and the Share Offer and are considered to be Controlling Shareholders under the GEM Listing Rules. In addition, on the basis that Glory Concord has restricted its ability to exercise direct control over our Company as it holds its interest through a common investment holding company with Mr. Wong Siu Man and Mr. Wong Siu Wa, namely Sky Alpha, Glory Concord is part of the group of Controlling Shareholders of our Company with Mr. Wong Siu Man and Mr. Wong Siu Wa.

OUR BUSINESS DEVELOPMENT

History and origin

The history of our business dates back to 1975 when the original “Hung Fat Ho” business operated in Kwun Tong. After the father of Mr. Wong Siu Man and Mr. Wong Siu Man took over the “Hung Fat Ho” business in the 1980’s, “Hung Fat Ho” continued its business until 1998 then Mr. Wong Siu Man and Mr. Wong Siu Wa operated the business as a partnership. Subsequently, Mr. Wong Siu Man and Mr. Wong Siu Wa used their own savings as funding to establish HFH Food in November 2005.

Our business strategy was to increase our market share and/or expand our customer base by approaching different types of customers such as the customers of Ongo Food and/or Eagle Food. On 25 July 2011, Mr. Wong Siu Man, Mr. Ho Kwok Wai, Ms. Yeung Lai Ping and Mr. Chan Kim Wah incorporated Ongo Food in Hong Kong and on the same date, 200,000 shares,

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

100,000 shares, 100,000 shares and 100,000 shares were allotted and issued to them, representing 40%, 20%, 20% and 20% of the then shareholding interest of Ongo Food respectively. Through a trust deed, Mr. Wong Siu Man held 50% of all of his shares of Ongo Food for on behalf of Mr. Wong Siu Wa since incorporation. Thus, each of Mr. Wong Siu Man and Mr. Wong Siu Wa was the ultimate beneficial holder of half of all the shares of Ongo Food legally held by Mr. Wong Siu Man since incorporation. On 9 August 2012, Mr. Ho Kwok Wai, Ms. Yeung Lai Ping and Mr. Chan Kim Wah sold 50,000 shares, 50,000 shares and 100,000 shares of Ongo Food to Mr. Wong Siu Man for a consideration of HK\$1, HK\$1 and HK\$100,000, respectively. Immediately after the transfer of shares, Mr. Wong Siu Man was the legal owner of 400,000 shares of Ongo Food (of which 200,000 shares were held on behalf of Mr. Wong Siu Wa) or 80% of the then shareholding interest in Ongo Food and Mr. Ho Kwok Wai and Ms. Yeung Lai Ping held 50,000 shares and 50,000 shares of Ongo Food, representing of the then 10% and 10% of the shareholding interest in Ongo Food, respectively. On 30 July 2015, Mr. Ho Kwok Wai and Ms. Yeung Lai Ping transferred 50,000 shares and 50,000 shares of Ongo Food to HFH Holdings for a consideration of HK\$248,880 and HK\$248,880, respectively. On 30 July 2015, Mr. Wong Siu Man also transferred his entire shareholding interest in Ongo Food (of which half were held on behalf of Mr. Wong Siu Wa) to HFH Holdings, the consideration of which is explained in the paragraph headed “HFH Holdings” below in this section and Ongo Food became a wholly-owned subsidiary of HFH Holdings immediately after such transfer.

On 6 February 2015, Mr. Li Yiu Pong incorporated Eagle Food. On 30 July 2015, Mr. Li Yiu Pong sold all his shares in Eagle Food to HFH Holdings for a consideration of HK\$321,613.

Business milestones

The key milestones of our business development are as follows:

Year	Business achievement
1975	The original “Hung Fat Ho” branded business operated at Tsui Ping Estate in Kwun Tong which sold groceries.
1980’s	The original “Hung Fat Ho” business was sold to Mr. Wong Siu Chung, the father of Mr. Wong Siu Man and Mr. Wong Siu Wa.
1998	Our Controlling Shareholders and executive Directors, Mr. Wong Siu Man and Mr. Wong Siu Wa, assumed responsibilities in the management of the “Hung Fat Ho” business and operated it as a partnership.
2005	HFH Food commenced distribution of food and beverage grocery products in Hong Kong.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Business achievement
2011	Ongo Food was incorporated in Hong Kong with limited liability which engaged in the distribution of food and beverage grocery products to customers such as international hotels and private clubs in Hong Kong.
2013	We relocated our warehouse to How Ming Street in June 2013.
2015	In February 2015, Eagle Food was incorporated in Hong Kong with limited liability which engaged in the distribution of food and beverage grocery products to Restaurants serving Chinese, non-Chinese and multiple styles of cuisines. We also commenced leasing the Warehouse A on Hing Yip Street in February 2015.
2016	We engaged an additional transportation service provider in April 2016. We expanded our operations and commenced leasing the Hung To Road Warehouse in June 2016.

SHAREHOLDING STRUCTURE

Our Company was incorporated on 29 September 2016 in the Cayman Islands as the holding company of our Group. HFH Food and Ongo Food are our operating subsidiaries throughout our operating history. On 30 July 2015, HFH Holdings acquired Eagle Food as one of our operating subsidiaries. Over the course of our business history, Mr. Wong Siu Man and Mr. Wong Siu Wa, our executive Directors, remained as the controlling shareholders of our Group.

Immediately upon completion of the Share Offer and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised and without taking into account the Shares that may be allotted and issued upon exercise of the options which may be granted under the Share Option Scheme), Sky Alpha and Trillion Advance will be beneficially interested in 69% and 6% of our entire issued Shares, respectively and Sky Alpha, Mr. Wong Siu Man and Mr. Wong Siu Wa will be our Controlling Shareholders under the GEM Listing Rules. In addition, on the basis that Glory Concord has restricted its ability to exercise direct control over our Company as it holds its interest through a common investment holding company with Mr. Wong Siu Man and Mr. Wong Siu Wa, namely Sky Alpha, Glory Concord is part of the group of Controlling Shareholders of our Company with Mr. Wong Siu Man and Mr. Wong Siu Wa.

CORPORATE STRUCTURE AND DEVELOPMENT

As at the Latest Practicable Date, our Group comprised our Company, HFH Holdings (an intermediate holding company) and four indirect wholly-owned subsidiaries including HFH Food, Ongo Food, Eagle Food and Lofty Idea. Our Company was incorporated as part of our Reorganisation as the holding companies of our business operations.

Set forth below is a description of our subsidiaries.

HFH Food

HFH Food is one of our main operating subsidiaries. HFH Food is principally engaged in the distribution of food and beverage grocery products to customers in Hong Kong including Restaurants, Non-commercial dining establishments, hotels and private clubs, food processing operators and wholesalers. It was incorporated on 24 November 2005 under the Predecessor Companies Ordinance in Hong Kong with limited liability. On incorporation, HFH Food had an issued share capital of HK\$10,000, divided into 10,000 shares, all of which were issued and allotted to each of Mr. Wong Siu Man and Mr. Wong Siu Wa in equal proportion. On 13 August 2010, 2,495,000 shares and 2,495,000 shares were allotted and issued to Mr. Wong Siu Man and Mr. Wong Siu Wa, respectively. Mr. Wong Siu Man and Mr. Wong Siu Wa had remained as the shareholders of HFH Food thereafter until its acquisition by HFH Holdings. On 15 September 2015, HFH Holdings acquired 2,500,000 shares and 2,500,000 shares of HFH Food from Mr. Wong Siu Man and Mr. Wong Siu Wa, representing 50% and 50% of the then issued share capital of HFH Food, respectively. For the consideration of this transfer, please refer to the paragraph headed “HFH Holdings” in this section below.

Ongo Food

Ongo Food is one of our main operating subsidiaries. Ongo Food is principally engaged in the distribution of food and beverage grocery products to customers in Hong Kong including Restaurants, hotels and private clubs. It was incorporated on 25 July 2011 under the Predecessor Companies Ordinance in Hong Kong with limited liability. On incorporation, Ongo Food had an issued share capital of HK\$500,000, divided into 500,000 shares, of which 200,000 shares, 100,000 shares, 100,000 shares and 100,000 shares were issued and allotted to Mr. Wong Siu Man, Mr. Ho Kwok Wai, Ms. Yeung Lai Ping, and Mr. Chan Kim Wah, respectively. Pursuant to a trust deed, each of Mr. Wong Siu Man and Mr. Wong Siu Wa was the ultimate beneficial holder of half of all the shares of Ongo Food legally held by Mr. Wong Siu Man since incorporation. On 9 August 2012, Mr. Chan Kim Wah transferred 100,000 shares of Ongo Food to Mr. Wong Siu Man at a consideration of HK\$100,000, which was settled by cash. The consideration of such shares was calculated based on the amount invested by Mr. Chan Kim Wah in Ongo Food. On the even date, Mr. Ho Kwok Wai and Ms. Yeung Lai Ping transferred 50,000 shares and 50,000 shares of Ongo Food to Mr. Wong Siu Man at a consideration of HK\$1.00 and HK\$1.00, respectively. The consideration was agreed between the parties as Mr. Wong Siu Man would provide financial support to Ongo Food in consideration of Mr. Ho Kwok Wai and Ms. Yeung Lai Ping’s transfer of half of their shares of Ongo Food to Mr. Wong Siu Man. On 30 July 2015, Mr. Ho Kwok Wai and Ms. Yeung Lai Ping transferred 50,000 shares and 50,000 shares of Ongo Food, representing 10% and 10% of

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

the then shareholding interest of Ongo Food, to HFH Holdings for a consideration of HK\$248,880 and HK\$248,880, respectively. Such consideration was calculated based on the net asset value of Ongo Food as at 31 March 2015. The consideration for Mr. Ho Kwok Wai and Ms. Yeung Lai Ping was settled in cash. On 30 July 2015, Mr. Wong Siu Man transferred 400,000 shares of Ongo Food, of which 50% of the shares of Ongo Food was held by Mr. Wong Siu Man for and on behalf of Mr. Wong Siu Wa since incorporation pursuant to a trust deed, to HFH Holdings. For the consideration of this transfer, please refer to the paragraph headed “HFH Holdings” in this section below. Upon completion of the transfer of shares from Mr. Wong Siu Man, Mr. Ho Kwok Wai and Ms. Yeung Lai Ping to HFH Holdings on 30 July 2015, Ongo Food has become a wholly-owned subsidiary of HFH Holdings.

Eagle Food

Eagle Food is one of our main operating subsidiaries. Eagle Food is principally engaged in the distribution of food and beverage grocery products to customers in Hong Kong including Restaurants serving Chinese, non-Chinese and multi-national cuisines. It was incorporated on 6 February 2015 under the Companies Ordinance in Hong Kong with limited liability. On incorporation, Eagle Food had an issued share capital of HK\$500,000, divided into 500,000 shares, all of which were allotted and issued to Mr. Li Yiu Pong. Mr. Li Yiu Pong is an Independent Third Party of the Company. On 30 July 2015, the said 500,000 shares were transferred to HFH Holdings for a consideration of HK\$321,613. The acquisition has been completed and settled on the same date. The consideration was calculated based on the net asset value of Eagle Food as at 31 May 2015.

Lofty Idea

Lofty Idea is a non-operating subsidiary incorporated on 24 June 2016 in the BVI with limited liability. Lofty Idea is primarily for the holding of trademarks for the Group. On incorporation, Lofty Idea had an authorised share capital of US\$50,000, divided into 50,000 shares of US\$1.00 each. On 8 July 2016, 10,000 shares were issued and allotted to HFH Holdings.

HFH Holdings

HFH Holdings is an intermediate holding company incorporated on 30 June 2015 in the BVI with limited liability. On incorporation, HFH Holdings had an authorised share capital of US\$50,000, divided into 50,000 shares of US\$1.00 each, 6,000 shares and 4,000 shares of which were issued and allotted to Mr. Wong Siu Man and Mr. Wong Siu Wa, respectively. In consideration of (i) the transfer of Mr. Wong Siu Man and Mr. Wong Siu Wa’s entire shareholding interest in Ongo Food and HFH Food to HFH Holdings; and (ii) the repayment of a personal loan (in the amount equal to approximately 10% of the net asset value of HFH Holdings immediately after the transfer of shares of Ongo Food, HFH Food and Eagle Food to HFH Holdings and the incorporation of Lofty Idea) previously borrowed by Mr. Wong Siu Wa from Mr. Wong Siu Man for the purchase of his residence, upon incorporation of HFH Holdings, HFH Holdings would allot and issue, and Mr. Wong Siu Man and Mr. Wong Siu Wa would procure HFH Holdings to allot and issue, 6,000 shares and 4,000 shares to Mr. Wong Siu Man and Mr. Wong Siu Wa, respectively. On 14 July 2016, Mr. Wong Siu Man and Mr. Wong Siu Wa transferred their shares of HFH Holdings to Sky Alpha in exchange of 6,000 shares and 4,000 shares of Sky Alpha.

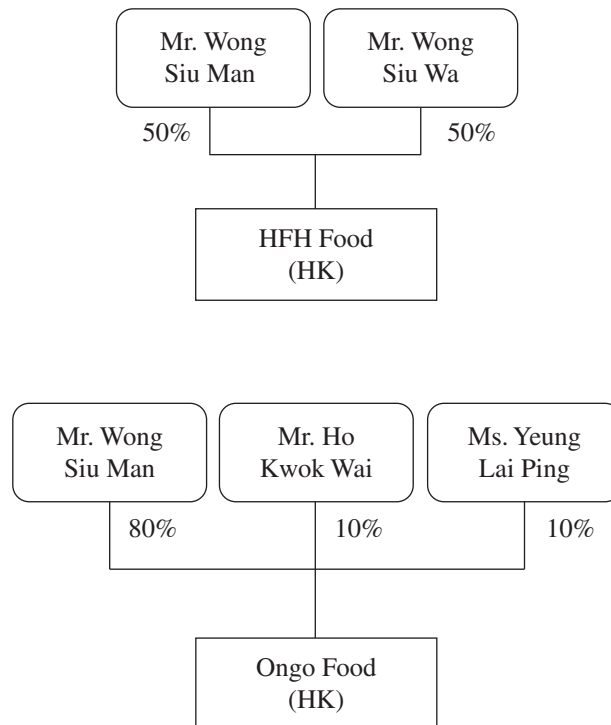
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

ACTING IN CONCERT ARRANGEMENT OF OUR CONTROLLING SHAREHOLDERS

Each of Mr. Wong Siu Man and Mr. Wong Siu Wa, our Controlling Shareholders, over the course of our business history, has been acting in concert with each other in exercising and implementing the management and operation of each of our subsidiaries. Because we were a group of private entities in the past, these arrangements were not formalised in writing and Mr. Wong Siu Man and Mr. Wong Siu Wa agreed on these arrangements based on the close and long-term business and personal relationships as brothers and business partners. Mr. Wong Siu Man and Mr. Wong Siu Wa have confirmed that the acting in concert arrangement with respect to each relevant Group subsidiary had subsisted since Mr. Wong Siu Man and Mr. Wong Siu Wa became the legal or beneficial shareholders of the relevant Group subsidiaries. In preparation for the Listing, Mr. Wong Siu Man and Mr. Wong Siu Wa executed the Deed of AIC Confirmation on 10 November 2016, details of which are set out in the section headed “Relationship with Controlling Shareholders – Our Controlling Shareholders – Acting in concert arrangements” in this prospectus.

REORGANISATION

Set forth below is the corporate chart showing the shareholding and corporate structure of our Group immediately prior to the implementation of the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Our Reorganisation involved the following steps:

Incorporation of HFH Holdings and Lofty Idea and the acquisition of HFH Food, Eagle Food and Ongo Food

On 30 June 2015, HFH Holdings was incorporated with limited liability in the BVI with an authorised share capital of US\$50,000, divided into 50,000 shares of US\$1.00 each. On the same day, 6,000 shares and 4,000 shares of HFH Holdings were issued and allotted, fully-paid, to Mr. Wong Siu Man and Mr. Wong Siu Wa, respectively.

On 30 July 2015, HFH Holdings acquired 50,000 shares and 50,000 shares of Ongo Food, representing the then 20% interest in Ongo Food in aggregate, from Mr. Ho Kwok Wai and Ms. Yeung Lai Ping for a cash consideration of HK\$248,880 and HK\$248,880, respectively. Save for Mr. Ho Kwok Wai and Ms. Yeung Lai Ping each being a former shareholder and former director of Ongo Food, Mr. Ho Kwok Wai and Ms. Yeung Lai Ping are Independent Third Parties. On 30 July 2015, Mr. Wong Siu Man transferred 400,000 shares of Ongo Food, of which 50% of the shares of Ongo Food was held by Mr. Wong Siu Man for and on behalf of Mr. Wong Siu Wa since incorporation pursuant to a trust deed, to HFH Holdings. For the consideration of this transfer, please refer to the paragraph headed “HFH Holdings” in this section above. Upon completion of the transfer of shares from Mr. Wong Siu Man, Mr. Ho Kwok Wai and Ms. Yeung Lai Ping to HFH Holdings on 30 July 2015, Ongo Food has become a wholly-owned subsidiary of HFH Holdings. Upon completion of these transfers, Ongo Food has become a wholly-owned subsidiary of HFH Holdings.

On 30 July 2015, HFH Holdings acquired 500,000 shares, representing the entire issued share capital of Eagle Food, from Mr. Li Yiu Pong, an Independent Third Party, for a consideration of approximately HK\$321,613. Upon completion of the acquisition, Eagle Food has become a wholly-owned subsidiary of HFH Holdings.

On 15 September 2015, HFH Holdings acquired 2,500,000 shares and 2,500,000 shares of HFH Food from Mr. Wong Siu Man and Mr. Wong Siu Wa, representing 50% and 50% of the then entire issued share capital of HFH Food, respectively. For the consideration of this transfer, please refer to the paragraph headed “HFH Holdings” in this section above. After the share transfer, HFH Food has become a wholly-owned subsidiary of HFH Holdings.

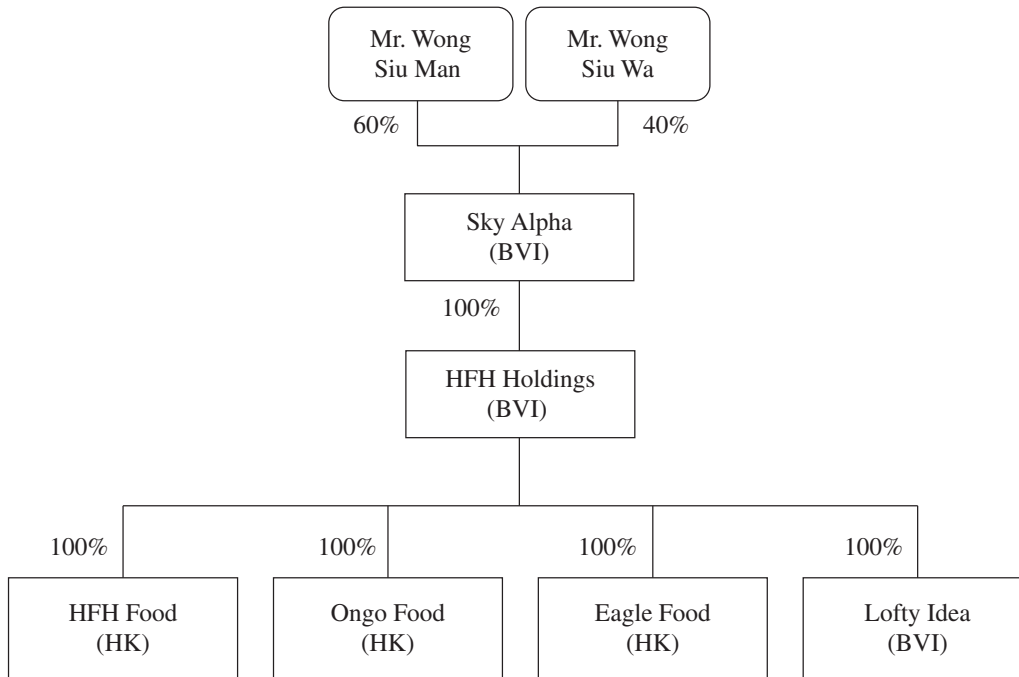
On 24 June 2016, Lofty Idea was incorporated as a limited liability company in the BVI. On 8 July 2016, 10,000 shares of Lofty Idea, representing the then entire issued share capital of Lofty Idea, were allotted and issued to HFH Holdings. After the allotment and issue, Lofty Idea has become a wholly-owned subsidiary of HFH Holdings.

On 14 July 2016, Mr. Wong Siu Man and Mr. Wong Siu Wa transferred 6,000 shares and 4,000 shares of HFH Holdings, representing 60% and 40% of the then issued share capital of HFH Holdings, to Sky Alpha in exchange of 6,000 shares and 4,000 shares of Sky Alpha issued to Mr. Wong Siu Man and Mr. Wong Siu Wa, respectively. After the share transfer, HFH Holdings became a wholly-owned subsidiary of Sky Alpha. On 16 August 2016, an addition of

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

8,400 shares of HFH Holdings were allotted and issued to Sky Alpha and Sky Alpha held 18,400 shares of HFH Holdings immediately afterwards. After the allotment and issue, HFH Holdings remained wholly-owned by Sky Alpha.

The following chart sets forth the shareholding and corporate structure of our Group after the above Reorganisation steps.



Pre-IPO investment of Trillion Advance

Pursuant to the first subscription agreement dated 29 July 2016 (the “**First Subscription Agreement**”) entered into between HFH Holdings and Trillion Advance, Trillion Advance subscribed for 1,600 shares of HFH Holdings and HFH Holdings allotted and issued 1,600 shares to Trillion Advance in consideration of Trillion Advance’s investment of HK\$6.0 million in our Group. Immediately after such allotment and issue, Sky Alpha and Trillion Advance held 18,400 shares and 1,600 shares in HFH Holdings on 17 August 2016 respectively, representing 92% and 8% of the then issued share capital of HFH Holdings, respectively.

As Mr. Hanson Wong, the major shareholder of Trillion Advance and our non-executive Director has accumulated years of experience in the finance industry, we believe that Trillion Advance will be able to provide strategic inputs in the financing strategies of our Company. For further information on the experience of Mr. Hanson Wong, please refer to the section “Directors and Senior Management – Non-executive Directors” in this prospectus.

Mr. Hanson Wong came to know Mr. Wong Siu Man through a common friend. Mr. Terence Mak, holding 33.3% shares of Trillion Advance, was introduced to the Group through Mr. Hanson Wong. Mr. Terence Mak attained his Bachelor of Commerce degree from the University of New South Wales and is a director and shareholder of Maia Global Investments

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Limited which primarily engaged in the provision of consultancy services relating to business development opportunities. Mr. Hanson Wong and Mr. Terence Mak invested in our Company through Trillion Advance as they are optimistic about the prospects of our Company.

Pre-IPO investment of Glory Concord

On 14 September 2016, Glory Concord subscribed for and Sky Alpha allotted and issued 540 shares of Sky Alpha to Glory Concord in consideration of Glory Concord investing HK\$2.0 million in our Group, which was subsequently settled on 21 September 2016. On the same date, Sky Alpha allotted and issued 5,676 shares and 3,784 shares to Mr. Wong Siu Man and Mr. Wong Siu Wa, respectively. Immediately after the allotment and issue, Mr. Wong Siu Man, Mr. Wong Siu Wa and Glory Concord held 11,676 shares, 7,784 shares and 540 shares of Sky Alpha, representing 58.38%, 38.92% and 2.7% of the then issued share capital of Sky Alpha respectively.

Glory Concord is owned as to 50% by Grand Clover and 50% by Delta Group. Grand Clover is wholly owned by Mr. Chow Lap King Brian. Mr. Chow Lap King Brian is the Business Development Director of CSW Consultant Limited in charge of the overall business activities. Mr. Chow holds a Bachelor of Science Degree from the University of London. Delta Group is wholly owned by Anka Capital which is owned as to 50% by Mr. Tam Cheuk Ho and 50% by Mr. Wong Wah On Edward. Both Mr. Tam Cheuk Ho and Mr. Wong Wah On Edward are certified public accountants (practising) in Hong Kong and possess directorship experience of listed companies in both Hong Kong and the United States. As at the Latest Practicable Date, both Mr. Tam and Mr. Wong were executive directors of Feishang Anthracite Resources Limited (stock code: 1738) and Mr. Wong is also an independent non-executive director of Quali-Smart Holdings Limited (stock code: 1348). Mr. Tam Cheuk Ho, Mr. Wong Wah On Edward and Mr. Chow Lap King Brian were acquaintances of Mr. Hanson Wong and Mr. Hanson Wong believes that their experience in managing listed companies can provide insights in the aspect of corporate governance to Mr. Wong Siu Wa and Mr. Wong Siu Man. As such, Mr. Chow Lap King Brian brings strategic business development experience to our Company whereas Mr. Tam Cheuk Ho and Mr. Wong Wah On Edward bring corporate governance experience in listed companies and accounting experience to our Company.

Save for the beneficial interest in the shareholding interest in the Company, Mr. Tam Cheuk Ho, Mr. Wong Wah On Edward and Mr. Chow Lap King Brian are Independent Third Parties of the Company.

Incorporation of our Company and Share Swap

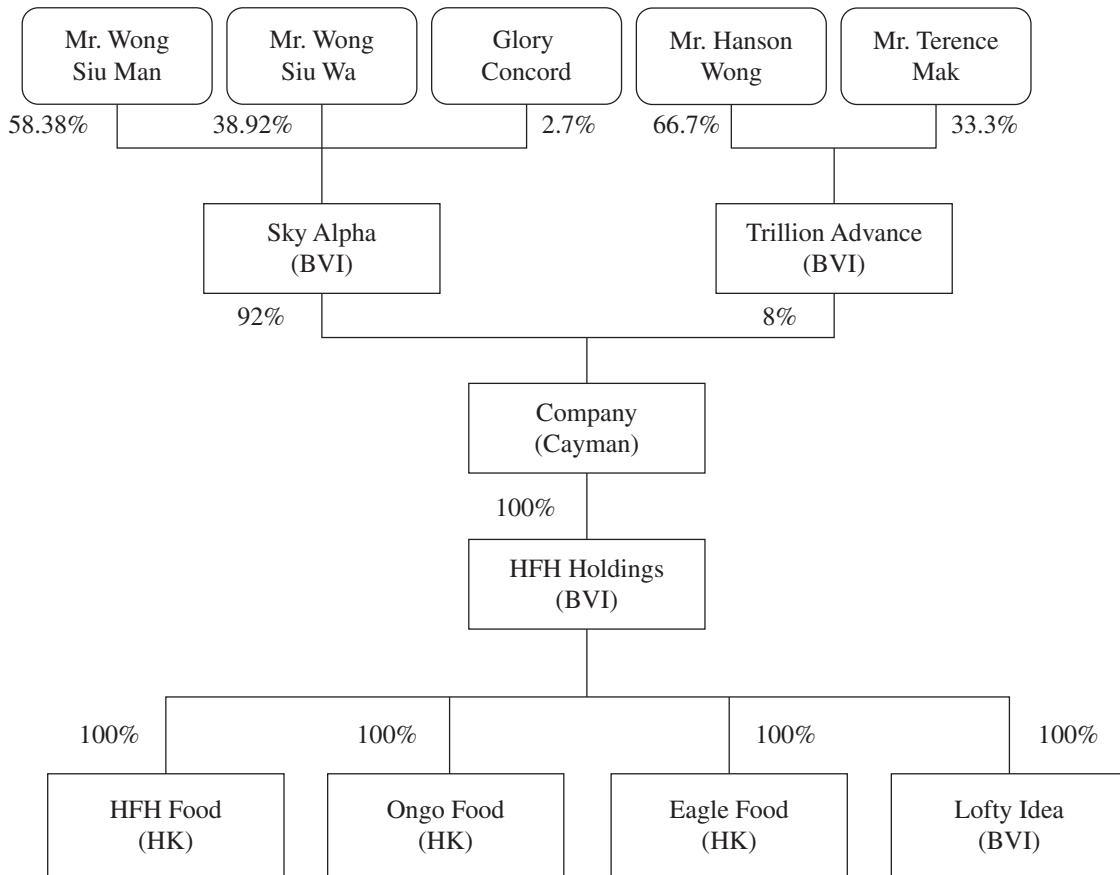
Our Company was incorporated as an exempted company with limited liability on 29 September 2016 in the Cayman Islands. The authorised share capital of our Company, on incorporation, was US\$50,000 divided into 50,000 Shares of a par value of US\$1.00 each. On the same day, one Share was allotted and issued to Mapcal Limited as the subscriber and the one share was transferred to Sky Alpha on the same day.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 30 September 2016, in consideration of Sky Alpha and Trillion Advance's transfer of their respective shareholding interest in HFH Holdings to our Company, our Company allotted and issued 18,399 Shares and 1,600 Shares to Sky Alpha and Trillion Advance, respectively. Immediately after this step, Sky Alpha and Trillion Advance owned 18,400 Shares and 1,600 Shares, respectively, representing 92% and 8% of the then issued share capital of the Company.

Upon completion of this step, our Company became indirectly owned by Mr. Wong Siu Man, Mr. Wong Siu Wa and Glory Concord through Sky Alpha and by Mr. Hanson Wong and Mr. Terence Mak through Trillion Advance.

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



Note: Glory Concord is owned as to 50% by Grand Clover and 50% by Delta Group. Grand Clover is wholly owned by Mr. Chow Lap King Brian. Delta Group is wholly owned by Anka Capital which is owned as to 50% by Mr. Tam Cheuk Ho and 50% by Mr. Wong Wah On Edward.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Redenomination of authorised capital and increase of authorised share capital

In contemplation of the Share Offer and pursuant to the resolutions passed at the extraordinary general meeting of our Shareholders held on 27 March 2017, the authorised share capital of our Company was increased from US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each to the aggregate of (i) US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each and (ii) HK\$390,000 divided into 39,000,000 shares of a par value of HK\$0.01 each, by the creation of an additional 39,000,000 shares with a par or nominal value of HK\$0.01 each (the “**Variation of Capital**”). Upon the Variation of Capital becoming effective, our Company issued 14,352,000 Shares of a par value of HK\$0.01 each to Sky Alpha and 1,248,000 Shares of a par value of HK\$0.01 each to Trillion Advance, immediately after which our Company then repurchased 18,400 Shares of a par value of US\$1.00 from Sky Alpha and 1,600 Shares of a par value of US\$1.00 from Trillion Advance respectively. Immediately after the repurchase of the US\$ denominated Shares being effected, the authorised share capital of our Company was reduced by the cancellation of 50,000 Shares of a par value of US\$1.00 each, such that the authorised share capital of our Company became HK\$390,000 divided into 39,000,000 Shares of a par value of HK\$0.01 each. The authorised share capital of our Company was then increased to HK\$20,000,000 divided into 2,000,000,000 Shares each by the creation of an additional 1,961,000,000 Shares, pursuant to the resolutions of the extraordinary general meeting of our Shareholders held on 27 March 2017.

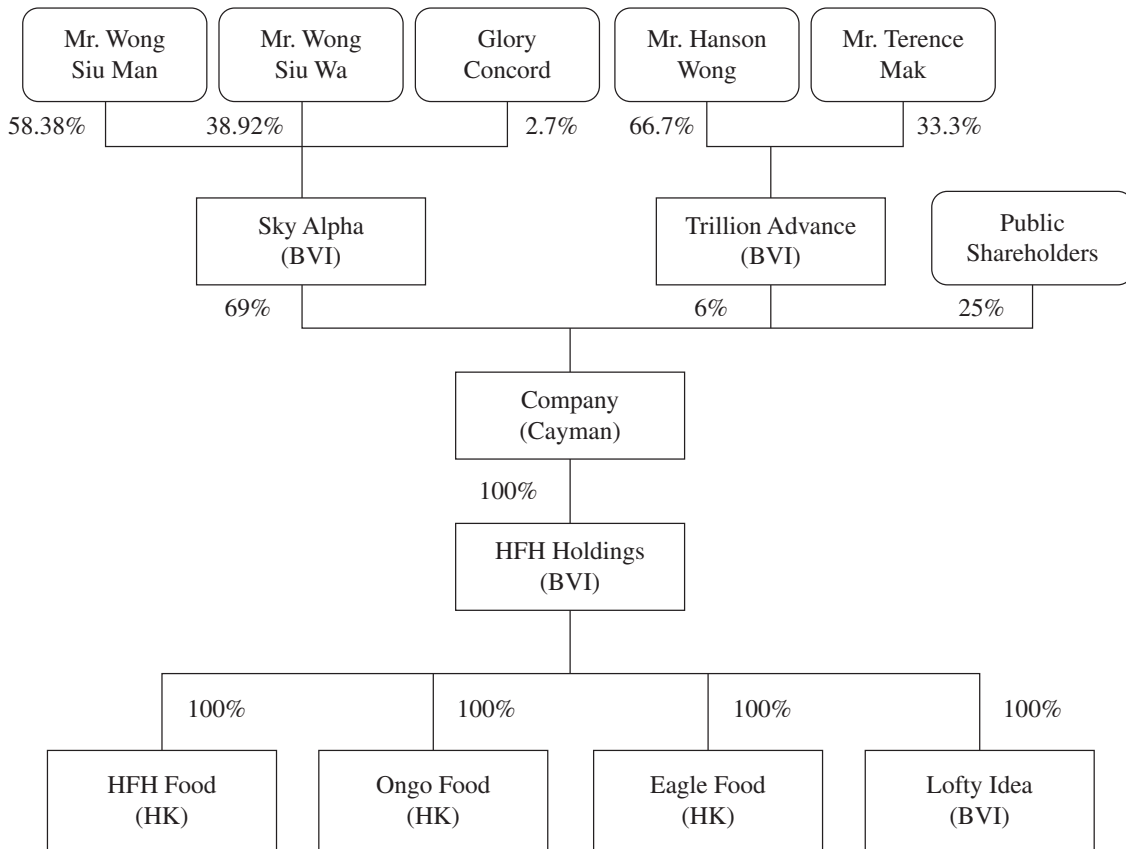
Capitalisation Issue and Share Offer

Conditional upon the crediting of our Company’s share premium account as a result of the issue of the Offer Shares pursuant to the Share Offer, the Directors are authorised to capitalise an amount of HK\$8,244,000 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 824,400,000 Shares for allotment and issue to Sky Alpha and Trillion Advance immediately prior to the Listing.

Conditional upon the grant of the listing approval for the Listing of and permission to deal in the Shares on the GEM, our Company will offer 280,000,000 Offer Shares, being an aggregate of 25% of total issued share capital of our Company (as enlarged by the Shares offered under the Share Offer and the Shares issued under the Capitalisation Issue excluding the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and upon exercise of the options which may be granted under the Share Option Scheme) for subscription by the professional, institutional and/or other investors.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The corporate structure of our Group immediately following the completion of the Capitalisation Issue and Share Offer (assuming the Offer Size Adjustment Option is not exercised and excluding the Shares which may be allotted and issued upon exercise of the options which may be granted under the Share Option Scheme) is set out below:

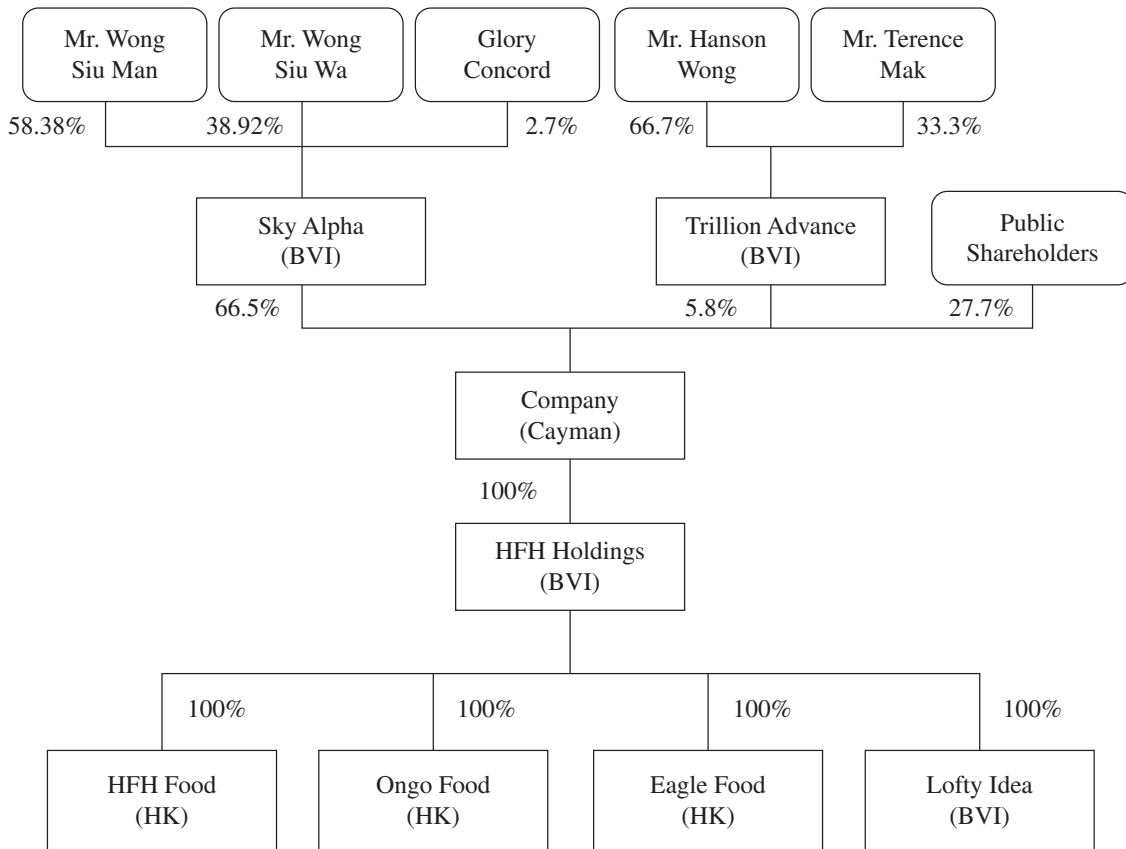


Note 1: Glory Concord is owned as to 50% by Grand Clover and 50% by Delta Group. Grand Clover is wholly owned by Mr. Chow Lap King Brian. Delta Group is wholly owned by Anka Capital which is owned as to 50% by Mr. Tam Cheuk Ho and 50% by Mr. Wong Wah On Edward.

Note 2: The Shares held by Trillion Advance, Mr. Hanson Wong and Mr. Terence Mak will not be counted towards the public float after the Listing.

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Assuming the Offer Size Adjustment Option is exercised in full, and 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 corporate structure of our Group immediately following the completion of the Capitalisation Issue and the Share Offer is set out below:



Note 1: Glory Concord is owned as to 50% by Grand Clover and 50% by Delta Group. Grand Clover is wholly owned by Mr. Chow Lap King Brian. Delta Group is wholly owned by Anka Capital which is owned as to 50% by Mr. Tam Cheuk Ho and 50% by Mr. Wong Wah On Edward.

Note 2: The Shares held by Trillion Advance, Mr. Hanson Wong and Mr. Terence Mak will not be counted towards the public float after the Listing.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

PRE-IPO INVESTMENTS

Principal terms of the pre-IPO investments

The following table summarises the principal terms of the First Shareholders Agreement and the Second Shareholders Agreement of certain shareholders of our Company and Sky Alpha.

Name of Pre-IPO Investors	Trillion Advance	Glory Concord (through Sky Alpha)
Completion date of the pre-IPO Investment	17 August 2016	21 September 2016
Number of Shares/shares purchased	1,600 Shares	540 shares of Sky Alpha
Amount of consideration paid for purchase of Shares/shares	HK\$6.0 million	HK\$2.0 million
Date of payment of consideration	17 August 2016	21 September 2016
Number of Shares held by Pre-IPO Investors upon the Capitalisation Issue	67,200,000	20,865,600 (being effective interest held by Glory Concord through Sky Alpha)
Cost per Share paid by Pre-IPO Investors (taking into account the Capitalisation Issue)	approximately HK\$0.089	approximately HK\$0.096 (calculated on the basis that Glory Concord through its shareholding in Sky Alpha effectively holds 20,865,600 Shares upon Listing)
Discount to mid-point of the indicative Offer Price range (taking into account the Capitalisation Issue)	approximately 64.4%	approximately 61.6% (calculated on the basis that Glory Concord through its shareholding in Sky Alpha effectively holds 20,865,600 Shares upon Listing)

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Name of Pre-IPO Investors	Trillion Advance	Glory Concord (through Sky Alpha)
Use of proceeds from the pre-IPO investment	working capital utilised for acquiring inventories of our Group to support expansion	working capital utilised for acquiring inventories of our Group to support expansion
Whether proceeds have been fully utilised	yes	yes
Strategic benefits for the Company	please see the paragraphs headed “Pre-IPO investment of Trillion Advance” in this section above	please see the paragraphs headed “Pre-IPO investment of Glory Concord” in this section above
Shareholding in our Company upon the completion of the pre-IPO Investment	approximately 8%	approximately 2.7% shareholding interest in Sky Alpha which in turn holds 92% shareholding interest in our Company
Shareholding in our Company upon Listing (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options which may be granted under the Share Option Scheme)	approximately 6%	approximately 1.9% (being effective shareholding interest in our Company)
Basis of determining the consideration paid	The consideration was arrived at after arm’s length negotiation between the parties with reference to the prospects of our Company and the average price-to-earnings ratio of approximately 9.2 and 9.9 before listing expenses of our Company for the Track Record Period for Trillion Advance and Glory Concord, respectively.	

First Shareholders Agreement

Special rights

The following special rights have been granted to Trillion Advance under the First Shareholders Agreement dated 30 September 2016 entered into between our Company, Sky Alpha, Trillion Advance, Mr. Wong Siu Man and Mr. Wong Siu Wa:

Director appointment and Board participation right. Sky Alpha and Trillion Advance are entitled to appoint two directors and one director to the Board, respectively; Sky Alpha and Trillion Advance are entitled to remove any director nominated by it;

Matters requiring unanimous decisions. Certain corporate actions of our Company require Sky Alpha and Trillion Advance's written approval until the Listing or 30 September 2019, whichever is earlier ("**Expiry**"). Such actions include, among others,

- (a) call for any capital contribution and shareholder's loan or advance to our Company;
- (b) acquisition or sale, lease, transfer or disposal of property or assets exceeding HK\$2 million;
- (c) entering into, alteration or amendments of any contract, agreement, arrangement or transaction between our Company and a Shareholder or its related party;
- (d) obtaining of any future finance or funding for our Company or any member of our Group in any way;
- (e) borrowing by our Company or any member of our Group exceeding HK\$2 million or which requires the Shareholders to provide guarantees, indemnities or covenants or the creation of any encumbrances over any assets or property of our Group;
- (f) lending of money to any person (otherwise than by way of deposit with a bank) or granting any credit to any person by our Company or any member of our Group exceeding HK\$2 million or issuing guarantees or giving any mortgage, charge or other security;
- (g) creation, allotment or issue of any further Shares, shares or of any other securities to be issued by our Company or any member of our Group or the granting of any options or convertible bonds or right to subscribe for securities or to convert any instrument into securities;
- (h) increase, reduction or reorganisation of our Company's or any Group member's share capital, variation of the rights attaching to any class of Shares or shares or any redemption, purchase or other acquisition by our Company or any member of our Group of any Shares, shares or other securities of our Company or any member of our Group;

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- (i) commencement or settlement of any litigation, arbitration or other proceedings in respect of which the amount of claim exceeds HK\$2 million;
- (j) change of our Company's or any Group member's memorandum and articles of association or other constitutional documents;
- (k) change of our Group's business, entry into new business by our Group, change in geographical scope of our Group's business;
- (l) merger, consolidation or amalgamation of our Company or any member of our Group or its business with any other company or its business or the entering into of any joint venture with any other companies;
- (m) creation or disposal of subsidiaries of our Company or any member of our Group;
- (n) entering, or agreeing to enter, into any transaction, contract, agreement or arrangement in excess of HK\$2 million;
- (o) appointment, removal and change of auditors of our Company or any member of our Group;
- (p) adoption of accounting policies for our Company or any member of our Group or any amendment of the accounting policies previously adopted by our Company or any member of our Group;
- (q) adoption of our Company's annual audited accounts;
- (r) declaration of any dividend in a sum of more than the distributable amount or making of any other distributions;
- (s) capitalisation, repayment or other forms of distribution of any amount standing to the credit of any reserve of our Company or any member of our Group;
- (t) liquidation or winding-up of our Company or any member of our Group or the appointment of receiver, manager or trustee in respect of any part of the assets of our Company or any member of our Group or the passing of any resolution the result of which would be its winding up, liquidation or receivership, or the making of any composition or arrangement with creditors;
- (u) offering of shares or other securities of our Company or any member of our Group to the public;

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (v) establishment or amendment of authorised signatures for cheques and operation of bank account and any other bank mandates of our Company or any member of our Group; and
- (w) change of the bank mandate or any of the authorised signatories of the designated bank account.

Information and inspection rights. Until the Expiry, all Shareholders have the rights to receive our Group's monthly management account and audited accounts, to inspect facilities, records and books of our Group, and to discuss the business, operations and conditions of our Group with its respective directors, officers, employees, accountants, legal counsel and investment bankers at its own costs and expenses with reasonable prior notice to our Company.

Anti-dilution. Until the Expiry, our Company shall not issue and allot any Shares to any person except with the prior written consent of Trillion Advance and Sky Alpha.

Tag-along right. Until the Expiry, the Shareholder holding less than 75% of the issued share capital of our Company will have an option to sell to the tag-along purchaser *all or any* of its Shares in our Company at the purchase price per Share, and the number of Shares which the tag-along seller proposes to sell shall be reduced to the extent of the participation of such Shareholders holding less than 75% of the issued share capital of our Company.

If (i) event of default (“EoD”) or (ii) our Company’s audited cashflow generated from its ordinary and usual operating activities, net of any extraordinary income and expenses is below HK\$22 million cumulatively in any of the two consecutive financial years from 1 April 2014 to 31 March 2019 (“cashflow shortfall”) occurs:

- (a) if EoD occurs and Sky Alpha is the defaulting Shareholder, the non-defaulting Shareholder shall be indemnified by Mr. Wong Siu Man and Mr. Wong Siu Wa of the higher of the amounts of (i) all losses, damages, costs and expenses which may be suffered or incurred by the non-defaulting Shareholder arising from the EoD; or (ii) an amount equal to the negative difference, if any, between the subscription price and the fair value of the Shares, but the amount to be indemnified is up to HK\$6 million. Trillion Advance has waived the above indemnification right in accordance with the waiver letter dated 9 March 2017;
- (b) if EoD occurs and that the Listing does not proceed on the Expiry and that Sky Alpha is the non-defaulting Shareholder, the non-defaulting Shareholder shall be entitled to a call option to require the defaulting Shareholder to sell to the non-defaulting Shareholder all of the Shares then held by the defaulting Shareholder, and shareholder's loans owed by our Company to the defaulting Shareholder at the call prescribed price representing the fair value of the call option shares and call option loan assessed by the auditors or an independent valuer nominated by the auditors; or
- (c) if cashflow shortfall occurs, Mr. Wong Siu Man and Mr. Wong Siu Wa shall indemnify Trillion Advance an amount equal to HK\$6 million.

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EoD includes (i) such Shareholder committing a material breach of any of its obligations under the First Shareholders Agreement and failing to remedy a breach capable of being remedied within 21 days and specifically required in writing to do so by the other Shareholders; or (ii) (aa) any order made by a competent court or other appropriate authority or any resolution passed for bankruptcy liquidation, winding-up or dissolution or for the appointment of a trustee or similar official of it, or of all or a substantial part of its assets; or (bb) the Shareholder stopped payment to creditors generally or shall be unable to pay its debts within the meaning of any applicable legislation relating to bankruptcy.

Termination. The above special rights and the First Shareholders Agreement will terminate upon the Listing.

Second Shareholders Agreement

Pursuant to the Second Shareholders Agreement of Sky Alpha dated 14 September 2016 entered into between Mr. Wong Siu Man, Mr. Wong Siu Wa, Glory Concord and Sky Alpha, Mr. Wong Siu Man and Mr. Wong Siu Wa shall procure (through exercising of voting rights held by Sky Alpha in our Company and/or as Director or through any Directors nominated by it) that our Company shall appoint at least one Director nominated by Glory Concord to the Board which shall take place before the consummation of the Listing and such Director nominated by Glory Concord shall retire at the then upcoming general meeting of our Company but subject to being eligible for re-election at the same meeting in accordance with the Articles. Glory Concord has waived the above right to nominate such director and the procurement of appointment of such Director by Mr. Wong Siu Man and Mr. Wong Siu Wa in accordance with the waiver letter dated 10 November 2016.

Sole Sponsor's Confirmation

The Sole Sponsor is of the view that the pre-IPO investments mentioned above complies with the requirements set out in the Guidance Letters HKEx-GL43-12 (issued on 25 October 2012 and updated in July 2013), to the extent applicable based on the review of the relevant documents.

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OVERVIEW

We are an established food and beverage grocery distributor in Hong Kong with over 40 years of experience in the food and beverage grocery distribution industry since the original “Hung Fat Ho” grocery store was established in the 1970s. We specialise in distributing an extensive portfolio of food and beverage groceries to a wide array of customers, including Restaurants, Non-commercial dining establishments, hotels and private clubs, food processing operators and wholesalers in Hong Kong. We also offer product sourcing, repackaging, quality assurance, warehousing and storage, transportation as well as other value-added services to provide one-stop food and beverage grocery distribution solutions to our customers.

We have developed a diversified product portfolio of over 2,100 food and beverage groceries and over 3,800 SKUs of branded and non-branded products. Our products of over 300 brands are originated from various jurisdictions, such as Hong Kong, China, Japan, Korea, Thailand, Malaysia, the United Kingdom, the United States, Spain, France, Turkey and Italy during the Track Record Period. Our product portfolio widely ranges from food commodities, specialty food ingredients to kitchen products which can be broadly categorised into (i) commodities and cereal products; (ii) packaged food; (iii) sauce and condiment; (iv) dairy products and eggs; (v) beverage and wine; and (vi) kitchen products. For further details on our revenue generated by each of the product categories during the Track Record Period, please refer to paragraph headed “Our Products – Revenue generated by our products” in this section below.

During the Track Record Period and up to the Latest Practicable Date, we sourced food and beverage groceries from over 220 suppliers, comprising (i) food importers and wholesalers; (ii) domestic and international brand owners and manufacturers; and (iii) agents and distributors primarily located in Hong Kong. Our Directors believe that food importers and wholesalers constitute an important channel for us to procure a wide spectrum of products across the world in a cost efficient way. We also purchase directly from domestic and international brand owners and manufacturers which generally allow us to have a higher margin. In 2013, we started to source branded food groceries directly from European brand owners. For the years ended 31 March 2015 and 2016 and six months ended 30 September 2016, our purchases from our five largest suppliers amounted to HK\$32.8 million, HK\$37.7 million and HK\$20.9 million, respectively which accounted for approximately 25.4%, 26.0% and 28.0% of our total purchases, respectively. During the same period, purchase from our largest supplier amounted to HK\$10.1 million, HK\$12.6 million and HK\$6.6 million, respectively which accounted for approximately 7.9%, 8.7% and 8.8% of our total purchases, respectively. Up to the Latest Practicable Date, we had established a relationship of over three years with each of our five largest suppliers during the Track Record Period.

As at the Latest Practicable Date, we served over 1,100 customers in Hong Kong which vary in terms of sizes, nature, operating models and types of cuisine. Our core customers are broadly categorised into (i) Restaurants, including Cha Chaan Teng, tea houses, cafes, bars, and other individual or chain restaurants serving Chinese, non-Chinese (including western or Asian styles) or multi-national cuisines; (ii) Non-commercial dining establishments, including

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canteens in schools, hospitals as well as elderly caring centres; (iii) hotels and private clubs, including five-star hotels and recreational clubs; (iv) food processing operators; and (v) wholesalers and other customers. During the Track Record Period, sales to our five largest customers amounted to HK\$22.3 million, HK\$25.5 million and HK\$12.7 million, respectively which accounted for approximately 14.2%, 13.9% and 13.5% of our sales, respectively. During the same period, sales to our largest customer amounted to HK\$6.9 million, HK\$9.2 million and HK\$3.9 million, respectively which accounted for approximately 4.4%, 5.0% and 4.1% of our sales, respectively. Up to the Latest Practicable Date, we had established a relationship of over three years with each of our five largest customers during the Track Record Period. For further details on our revenue generated by each type of customers during the Track Record Period, please refer to the paragraph headed “Our Products – Revenue contributed by our customers” in this section below.

As part of our services, our experienced sales and marketing representatives, who have in-depth knowledge of the products we sell and our customers’ preferences, provide customised services that aim to enhance the procurement experience of our customers. Our customised services include recipe suggestion services, on-site cooking demonstrations, sourcing a variety of new grocery products originated from different countries upon customers’ requests, repackaging and Pick & Pack services and flexible delivery services. Our Directors believe that our direct and proactive sales approach has strengthened the business relationship with our existing customers and attract new customers and would thereby broaden our customer base. In addition, we provide one-stop food and beverage grocery distribution services to our customers, helping them to minimise their operation cost and storage space and to be competitive in their industries. Our services include product sourcing, warehousing, chilled and frozen storage, repackaging and delivery.

We carry more than 3,800 SKUs in our product portfolio including approximately 1,500 products that are in-stock every day. We can also process an average of approximately 600 orders every day and meet our customers’ needs for varying drop sizes, high services level and timely delivery. As at the Latest Practicable Date, we have leased three warehouse facilities located in Kwun Tong, Hong Kong with total saleable area of approximately 3,076.5 sq.m. and designated storage capacity of approximately 2,300 CBM. For the six months ended 30 September 2016, our three warehouses achieved storage utilisation rate of 93.7%, 93.7% and 81.1%, respectively. In order to (i) expand the geographical coverage of our distribution network across various districts in Hong Kong; and (ii) broaden our product portfolio, we plan to replicate our success in Hung To Road Warehouse and lease two new warehouses of approximately 1,300 sq.m. each in the New Territories and on the Hong Kong Island. For details of our warehouses and related business plan, please refer to the paragraphs headed “Warehouses and Repackaging Facilities” and “Our Strategies” in this section below. As at the Latest Practicable Date, we outsourced transportation and delivery services to Easy Logistics and another Independent Third Party services provider to deliver products to our customers.

OUR COMPETITIVE STRENGTHS

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

We possess a long established reputation in the food and beverage grocery distribution industry in Hong Kong

Our history could be traced back to 1970s when the original “Hung Fat Ho” grocery store was established in Hong Kong. With over 40 years of experience in the food and beverage grocery distribution market, the “Hung Fat Ho” business has since evolved to become one of the established food and beverage grocery distributors in Hong Kong, according to the F&S Report.

Throughout the years, we have expanded our diversified product portfolio to over 2,100 food and beverage products originated from various jurisdictions, such as Hong Kong, China, Japan, Korea, Thailand, Malaysia, the United Kingdom, the United States, Spain, France, Turkey and Italy. In addition, we have expanded our customer base as well as an extensive procurement network. We are able to maintain close relationships with our customers and suppliers, in which our Directors believe that it is mainly attributable to our integrity and professionalism in customer services and the increasing establishment of our business presence in the industry. Our Directors believe that by leveraging our established reputation, long-term presence in the industry, extensive product portfolio offerings and strong serving capabilities, we are capable of outperforming our existing or potential competitors and winning new customers, developing close business relationships with our existing customers and suppliers as well as seizing new opportunities in the food and beverage grocery distribution industry in Hong Kong.

Our proactive sales team provides quality customised services, which placed our Group in a favourable position to obtain a stable level of recurring business

Our Group has a team of experienced sales personnel who possess in-depth knowledge of the products we sell and our customers’ preferences. We assign sales representatives to each of our customers to manage the marketing and sales of our products and provide tailor-made services, including direct order tracking and enquiries, promoting speciality food products to targeted customers, and offering after-sales services including products return and follow up on any complaints. Their proactive marketing approach coupled with their insights in the food and beverage grocery distribution industry allow us to offer customised services tailored to the needs of our customers. Our customised services include recipe suggestion services, on-site cooking demonstrations, sourcing a variety of new grocery products originated from different countries upon customers’ requests, repackaging and Pick & Pack services and flexible delivery services.

Our Directors believe that our continuous effort in sales and marketing activities, including our participation in various food and beverage exhibitions and trade shows such as HOFEX (a food and hospitality trade show in Hong Kong) as well as Restaurant & Bar (a fine dining and bar exhibition in Asia-Pacific), has promoted our corporate image in the industry we operate.

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We possess strong sourcing capabilities of offering an extensive product portfolio

During the Track Record Period and up to the Latest Practicable Date, we sourced food and beverage groceries from over 220 suppliers, comprising (i) food importers and wholesalers, (ii) domestic and international brand owners and manufacturers and (iii) agents and distributors primarily located in Hong Kong. Our Directors believe that food importers and wholesalers constitute an important channel for us to procure a wide spectrum of products across the world in a cost efficient way. We are also the Hong Kong exclusive distributor of the branded grocery products of two overseas suppliers in Italy and Turkey since 2013 and 2014, respectively. According to the F&S Report, the average pool of suppliers of food and beverage grocery companies ranges from 150 to 200. Leveraging on our extensive procurement network with number of suppliers above the industry average, we could source a wide array of specialty products originated from different countries which our existing or potential competitors may not be able to achieve. With our commitment to helping our food services operator customers in creating unique and innovative menu items, we also utilise our procurement network to source new products that we do not regularly carry but are specifically requested by our customers. Our Directors believe that our extensive procurement network enables us to offer this comprehensive product assortment with a single point of contact and provide our customers a one-stop procurement experience, thereby enhancing customer loyalty to our Group.

We have a broad and diverse customer base and stable relationships with our major customers

With our long operating history, our Group has established a broad and diverse customer base of over 1,100 customers in Hong Kong comprising Restaurants, Non-commercial dining establishments, hotels and private clubs, food processing operators, wholesalers and other customers. Our Directors believe that this broad customer base serves as an effective platform for us to launch new branded products as our customers are more receptive due to our reputation in the food and beverage grocery distribution industry in Hong Kong, which enhances our market share and market position. Our broad customer base also allows us to capture the latest market development trends and preferences from our customers, which helps us to identify new products to enrich our existing product portfolio. Moreover, as some of our customers appeal to high-end consumers while others appeal to the mass-market consumers, this diverse customer base mitigates cyclical economic risk faced by all the industry players.

In addition, our Directors believe that by striving to satisfy all of our customers' needs on a continual basis and improve our quality of service, we are able to establish close ties and achieve further and broader collaborations with our customers, which place us in a favourable position to obtain more recurring businesses. During the Track Record Period, sales to our five largest customers amounted to HK\$22.3 million, HK\$25.5 million and HK\$12.7 million, respectively which accounted for approximately 14.2%, 13.9% and 13.5% of our sales, respectively. Sales to our largest customer amounted to HK\$6.9 million, HK\$9.2 million and HK\$3.9 million, respectively which accounted for approximately 4.4%, 5.0% and 4.1% of our sales, respectively for the same periods. Up to the Latest Practicable Date, we had established

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a relationship of over three years with each of our five largest customers during the Track Record Period. For further details on our customers, please refer to the paragraph headed “Our Customers” in this section below.

Our experienced management has a proven track record in delivering growth in revenue

We believe that a stable and dedicated management team is crucial to the provision of high quality services to our customers. The key members of our senior management team have extensive experience in the food and beverage grocery distribution industry. Mr. Wong Siu Man, our chairman and executive Director, has accumulated 18 years of experience in the industry and possess in-depth knowledge in managing food and beverage grocery distribution business. Mr. Wong has overseen the establishment of the distribution channels of our Group and the growth of our relationships with some international and domestic consumer brands, Mr. Wong Siu Wa, our Chief Executive Officer and executive Director, has also accumulated 18 years of operational experience in the food and beverage grocery distribution industry and our Group benefits from his knowledge in the procurement process and warehouse management through inventory control and warehouse management. Our management team includes different teams responsible for different areas of product procurement, warehouse and transportation management and sales and marketing. Please refer to the section headed “Directors and Senior Management” in this prospectus for further details and biographies of our Directors and senior management.

OUR STRATEGIES

We intend to become one of the leading food and beverage grocery distributors in Hong Kong by implementing the following strategies:

Increase warehouse facilities strategically located in certain districts of Hong Kong in proximity to our customers

We have built a scalable distribution platform that enables us to carry more than 3,800 SKUs in our product portfolio and process approximately 1,500 products that are in stock and an average of approximately 600 orders every day. While enjoying competitive strengths on our distribution platform, we will further expand the geographical coverage of our distribution network by leasing two new warehouses in the years ending 30 September 2017 and 2018 with one in the New Territories and one on Hong Kong Island, respectively. Our intended establishment of warehouses will be strategically located in proximity to our customers that will allow us to act promptly in response to our existing customers, particularly for customer outlets in the New Territories and on Hong Kong Islands, who have expressed their intention for us to supply certain food and beverage grocery items or increase the frequency of delivery on a daily basis. Moreover, we will be able to leverage on our expanded distribution platform to serve independent non-chain customers who are remotely located and overlooked by our competitors. Having warehouses in the nearby regions of our customers also allow us to have multiple delivery everyday, thereby reducing delivery time and managing potential distribution congestion. We are better equipped to mitigate delivery risks due to transportation shortages or traffic congestion when we could easily arrange delivery of products from other warehouses located in other districts through alternative routes.

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In addition, the new warehouses also enable us to broaden our product portfolio as we will have more capacity to store new types of food and beverage grocery products, which allows us to enrich our product selection to capture market segments with higher growth potential and profit margin. In view of the fact that the storage capacity of our two warehouses in Kwun Tong have already reached their designated storage capacity for the three months ended 30 June 2016, in June 2016, our Group leased the Hung To Road Warehouse to accommodate increased inventory level resulted from the increase in numbers of customers and purchase orders. As at 30 September 2016, the Hung To Road Warehouse reached 81.1% of the designated storage capacity and we expect that it will also be fully utilised by the end of 2016. Our Group intends to apply approximately 48.3% of the net proceeds from the Share Offer to lease two warehouses. Please refer to the section headed “Statement of Business Objectives and Use of Proceeds – Future Plans and Business Strategies” in this prospectus for further details.

Upgrade our ERP system to enhance our operation efficiency

To cope with the expansion of our distribution platform, we plan to upgrade our existing ERP system to enhance our operating efficiency. Our current ERP system provides real-time information on our sales orders and inventory level. The new ERP system we intend to install can conduct inventory movement analysis, which will assist us to analyse market preferences, make sales forecasts and facilitate management decision-making process in product procurement and overall business planning. By installing the new ERP system, we can manage and review not only our customers’ current order status, but also data relating to our customers’ order history for our services, thereby allowing us to accurately analyse customers’ procurement behaviour and facilitating us to provide customised solutions to enhance our customers’ procurement experience. Another useful feature of the new ERP system is that it will allow our managers to view progress reports on each customer’s orders and the status of uncompleted orders and unpaid invoices. As a result, we will be able to respond to enquiries from our customers on the status of their respective orders on a timely basis, which we believe is essential to enhance our customers’ procurement experience. Our Group intends to apply approximately 26.0% of the net proceeds from the Share Offer to install the new ERP system. Please refer to the section headed “Statement of Business Objectives and Use of Proceeds – Future Plans and Business Strategies” in this prospectus for further details.

Further penetrate the food and beverage grocery distribution market through sales and marketing activities and our quality value-added services

Leveraging on our current sourcing capability and our extensive product portfolio, we plan to further penetrate the food and beverage grocery distribution market by enlarging our customer base and enhancing our market presence. To achieve this, we plan to conduct more sales and marketing activities and enhance the quality of our value-added services.

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For sales and marketing efforts, we intend to expand our sales and marketing team to enhance awareness of our corporate image by organising marketing activities on different advertising media. We will also strengthen our effort in participating in more trade shows and food exhibitions to showcase our products to potential buyers and seek other potential business opportunities. For value-added services, we intend to purchase new repackaging equipment to further automate our repackaging process and increase our efficiency. Since we have recently launched products under our own brand, the introduction of new repackaging equipment will allow us to offer more value-added services as we are able to prepare customised product assortment in the required quantity and are able to include our own branded products in the assortment by packing different combination of bulk goods. Our Group intends to apply approximately 11.3% and 7.2% of the net proceeds from the Share Offer to conduct sales and marketing activities and install new repackaging equipment and develop packaging design respectively. Please refer to the section headed “Statement of Business Objectives and Use of Proceeds – Future Plans and Business Strategies” in this prospectus for further details.

Attract and retain quality personnel

We plan to attract and retain talented personnel in order to support and sustain the growth of our business. We plan to continue to provide our employees with structured training that is designed to provide them with a career advancement track, as we believe that this will motivate and incentivise them. We plan to continue to regularly review and update our employee compensation plans and bonuses based on their individual performance so that our employees are suitably incentivised. We have conditionally adopted the Share Option Scheme, which we believe supplements our existing employee compensation plans and bonuses. The opportunity to own equity interests in our Company helps to attract and retain skilled and experienced personnel and motivates employees to strive for the growth of our Group.

OUR PRODUCTS

Products we distribute

Our Group has been a food and beverage grocery distributor in Hong Kong for over 40 years offering a comprehensive range of products. As at the Latest Practicable Date, our product portfolio included over 2,100 food and beverage groceries and over 3,800 SKUs of branded and non-branded products. Among all the products we sell, over 300 brands are originated from various jurisdictions, such as Hong Kong, China, Japan, Korea, Thailand, Malaysia, the United Kingdom, the United States, Spain, France, Turkey and Italy.

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The table below sets forth the six key categories of food and beverage products our Group distributed with key relevant information as at 30 September 2016:

Product segments	Examples	Principal products	Typical shelf life of principal products⁽¹⁾ (month)
Commodities and cereal products	Grain, pasta, flour, bean, edible oil and salt	Cooking oil, sugar and rice	24
Packaged food	Canned food, snacks and all kinds of pre-packaged food items	Chopped tomato, dried scallop, apricot kernel	24
Sauce and condiment	All kinds of dry powder and wet sauces, sweet and savoury and spices	Chicken bouillon powder, MSG and mayonnaise	18
Dairy products and eggs	Milk powder, other milk beverage, margarine, cream, cheese and fresh and preserved eggs	Evaporated milk, shredded cheese and milk	9 ⁽²⁾
Beverage and wine	All non-alcoholic beverage (except milk beverage), beer and branded wine	Malted drink and white wine	24
Kitchen products	Baking sheet, foil, bleach, liquid soap, tissue paper, toothpick and towel	Cling film, detergent and garbage bag	N/A

Notes:

1. Shelf life refers to the period of time when the product is first delivered to our warehouse and up to the labelled expiration date of the product.
2. The typical shelf life of eggs is 14 days.

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Revenue generated by our products

Our revenue during the Track Record Period was mainly derived from the sales of commodities and cereal products, accounting for approximately 31.3%, 29.8% and 29.2% respectively of our total revenue during the same period, and packaged food, accounting for approximately 28.9%, 28.7% and 26.5% respectively of our total revenue during the same periods. The table below sets out the amount and percentage of our total sales revenue for each of our product categories during the Track Record Period:

Product segments	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	Revenue <i>HK\$'000</i>	%	Revenue <i>HK\$'000</i>	%	Revenue <i>HK\$'000</i>	%	Revenue <i>HK\$'000</i>	%
Commodities and cereal products	48,859	31.3	54,683	29.8	27,224	30.9	27,359	29.2
Packaged food	45,191	28.9	52,721	28.7	23,768	27.0	24,758	26.5
Sauce and condiment	26,499	17.0	31,648	17.2	16,735	19.0	18,767	20.1
Dairy products and eggs	23,516	15.1	28,369	15.4	13,051	14.8	13,698	14.6
Beverage and wine	8,639	5.5	11,071	6.0	5,050	5.7	5,983	6.4
Kitchen products	3,507	2.2	5,252	2.9	2,241	2.6	3,018	3.2
Total	156,211	100.0	183,744	100.0	88,069	100.0	93,583	100.0

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Revenue contributed by our customers

With over 40 years of operating history, our Group serves a diverse customer base. As at the Latest Practicable Date, we served over 1,100 customers in Hong Kong which varied in terms of sizes, nature, operating models and types of cuisine. Our core customers are broadly categorised into (i) Restaurants, including Cha Chaan Teng, tea houses, cafes, bars, and other individual or chain restaurants serving Chinese, non-Chinese (including western or Asian styles) or multi-national cuisines; (ii) Non-commercial dining establishments, including canteens in schools, hospitals as well as elderly caring centres; (iii) hotels and private clubs, including five-star hotels and recreational clubs; (iv) food processing operators; and (v) wholesalers and other customers. The table below sets out the amount and percentage of our total sales revenue by the types of customers served by our Group during the Track Record Period:

	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	Revenue		Revenue		Revenue		Revenue	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Food service operators								
Restaurants								
– Chinese	47,427	30.4	51,926	28.3	25,426	28.9	24,380	26.1
– Non-Chinese	29,110	18.6	37,415	20.4	17,072	19.4	23,409	25.0
– Multi-cuisine	37,316	23.9	45,315	24.7	23,152	26.3	22,947	24.5
	<u>113,853</u>	<u>72.9</u>	<u>134,656</u>	<u>73.4</u>	<u>65,650</u>	<u>74.6</u>	<u>70,736</u>	<u>75.6</u>
Non-commercial dining establishments	12,254	7.8	13,807	7.5	6,367	7.2	6,274	6.7
Hotels and private clubs	7,450	4.8	9,536	5.2	4,003	4.5	4,589	4.9
	<u>133,557</u>	<u>85.5</u>	<u>157,999</u>	<u>86.1</u>	<u>76,020</u>	<u>86.3</u>	<u>81,599</u>	<u>87.2</u>
Food processing operators	14,548	9.3	15,201	8.3	8,266	9.4	8,488	9.1
Others^(Note)	8,106	5.2	10,544	5.6	3,783	4.3	3,496	3.7
Total	<u>156,211</u>	<u>100.0</u>	<u>183,744</u>	<u>100.0</u>	<u>88,069</u>	<u>100.0</u>	<u>93,583</u>	<u>100.0</u>

Note: Others mainly include food demonstration organisers and wholesalers.

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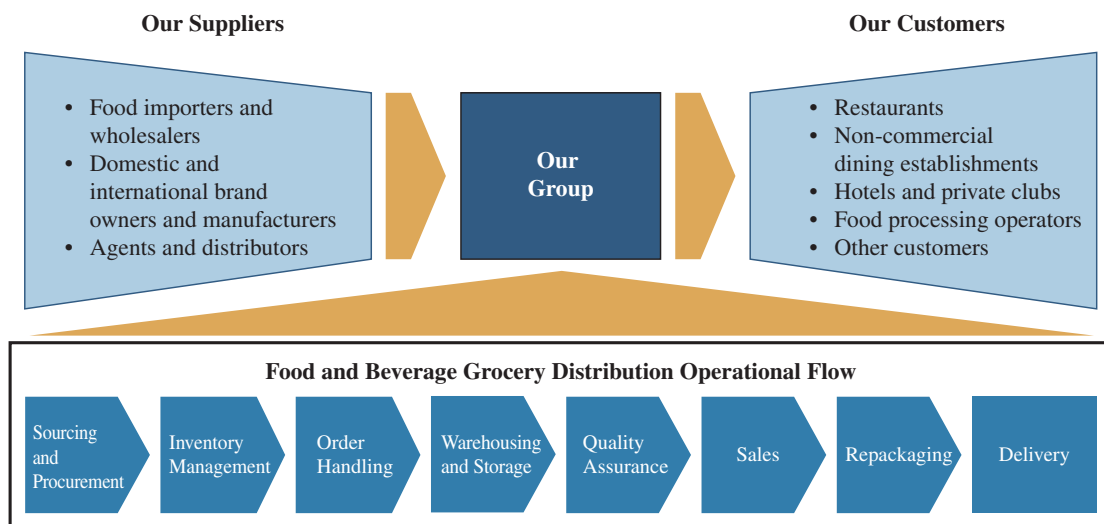
Own branded products

We have started launching certain canned products (including luncheon meat, spiced pork cubes (五香肉丁) and salted vegetables with shredded pork (雪菜肉絲)) under our own brand since August 2016, and no revenue from such own-branded products were recognised during the Track Record Period. As at the Latest Practicable Date, such product launch was still on trial to test the market reactions, and the amount of revenue and profit attributable to the sales of own-branded products was minimal.

As at the Latest Practicable Date, we plan to focus on our current business operation and implementing the strategies and plans as disclosed under the paragraphs headed “Our Strategies” in this section. No concrete plan has been made regarding the future strategies of launching our own branded products. We will continue to monitor the demand and market responses for products experimentally sold under our own brand and formulate concrete development plan as and when appropriate should there be sufficient demand to justify such expansion.

OUR BUSINESS MODEL AND OPERATION

The value chain of food and beverage grocery distribution initiates from manufacturers and brand owners who produce food and beverage products, which are then distributed via food and beverage wholesalers, distributors or agents to catering establishments for end consumers. Apart from selling products, distributors may offer additional value-adding services, such as repackaging of products. The business model and general workflow of our operations follow the following pattern:



Sourcing and Procurement

Our sourcing capability is one of our key competitive strengths which is mainly attributable to the extensive supplier base our Group has established over the years. During the Track Record Period and up to the Latest Practicable Date, we sourced food and beverage groceries from over 220 suppliers, comprising (i) food importers and wholesalers, (ii) domestic and international brand owners and manufacturers and (iii) agents and distributors. In the event there is any shortage or delay in supply of the grocery products including speciality food ingredients, such as herbs and special seasonings, we are able to react by sourcing from alternative suppliers of our extensive procurement network with which we have established business relationships. For details, please refer to the paragraphs headed “Our Suppliers” in this section below.

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 the record of historical orders made by our customers as captured by our existing ERP system and sales projection derived from customers’ preferences and market trend. When our inventory level falls below a pre-set value, our ERP system will generate an alert for our purchasing teams’ further action of procurement instruction. For details of our inventory management, please refer to the paragraphs headed “Inventory Management and Transportation – Inventory management” in this section below.

Order Handling

In general, our customers place orders with us by way of phone calls and instant messages frequently to ensure freshness of the food and beverage groceries. Upon receipt of the orders, we will conduct a stock check to ensure that there is stock available to complete the orders. If there are sufficient stock available, our purchasing and warehouse management department will collect the products, conduct quality checks and arrange for repackaging and delivery to our customers within the same or next business day or such other dates as specified by our customers. In the event that we do not have sufficient stock to fulfil the purchase orders, our purchasing and warehouse management department will source and procure the required products from our suppliers.

Warehousing and Storage

As at the Latest Practicable Date, all the products procured from our suppliers were stored at our three rented warehouses in Kwun Tong and the storage space of a third party warehouse in Yau Tong. For details of our warehouses, please refer to the paragraphs headed “Warehouses and Repackaging Facilities” in this section below.

Quality Assurance

After the products have arrived our warehouses, our purchasing and warehouse management department will conduct quality checks on the received products to ensure that they are able to meet the specifications and are in good conditions for sale. Our purchasing and warehouse management department also conducts sample checks manually on a monthly basis to ensure the food and beverage products we procure have sufficient shelf life before we sell to our customers. For details of the average shelf life of each principal product, please refer to the paragraphs headed “Our Products – Products we distribute” in this section below. For products with less than three months shelf life, our Group will offer price reduction on such products to our customers and we would dispose damaged products that are unsold, returned or expired. Any products failing to pass the quality checks will be returned to the suppliers at the cost of the suppliers. For details, please refer to the paragraphs headed “Quality Control” in this section below.

Sales

Our Group sells all the products sourced from our suppliers directly to our customers and we do not engage any third party distributor for sales of any products. We have a team of experienced sales personnel and assign sales representatives to each of our customers to manage the marketing and sales of our products and provide tailor-made services, including direct order tracking and enquiries, promoting speciality food products to targeted customers, and offering after-sales services including products return and follow up on complaints.

Repackaging

To cater for the different needs of our customers, our Group provides customised Pick & Pack services and food products repackaging services prior to delivery. Food products repackaging is the process where we procure food products in big bulks and repackage them into smaller quantities as required by our customers. For instance, we repackage dry ingredients that we order in bulks for making soup or dessert to fast food restaurant chains such that processing time and manpower of our customer are saved, thereby enabling our customers’ kitchen staff to be more efficient in food preparation. As at the Latest Practicable Date, we offer repackaging services for products including dry commodities, such as rice, beans, sugar and salt. Our repackaging generally bears specific labelling and other information as may be required by our customers.

Delivery

Our customers generally have specific delivery destinations for their purchase orders and they may require same-day delivery services or delivery services within short notice. Our warehouse management department coordinates and arranges transportation for delivery of products to our customers to ensure the groceries reach our customers in a timely manner. For purposes of better resource utilisation, cost efficiency and delivery schedule management, our Group engaged Easy Logistics and another Independent transportation services provider to

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provide product delivery services to our customers throughout Hong Kong on a daily basis during the Track Record Period. For details of our sub-contracting arrangement, please refer to the paragraphs headed “Inventory Management and Transportation – Transportation” in this section below.

SALES AND MARKETING

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

Our sales to customers take place in the form of cash/cheque on delivery or sales on credit. We generally allow cash on delivery to first-time or walk-in customers who are required to settle all payments immediately upon product delivery. For major customers with which we have maintained stable business relationship, we offer sales on credit for a credit period of 0 to 90 days from the date of invoice. Payment from our customers is usually settled by way of wire transfer or cheque. Our management closely monitors the credit exposure and repayment conditions of our customers. We will make specific provisions if our management believes that any customer is or is likely to be in financial distress and is unable to settle its long outstanding trade amount. For further details of our credit policy, please refer to the section headed “Financial Information – Description of Selected Items of Consolidated Statements of Financial Position – Trade receivables” in this prospectus. We have made provision of approximately HK\$270,000, HK\$91,000 and HK\$242,000 for impairment of trade receivables, respectively, during the Track Record Period.

Pricing policy

We believe it is important to maintain steady supply of quality products at competitive price for the continual success of our Group. We have adopted a “cost-plus” pricing policy, pursuant to which we set target prices with different profit margins over the products we distribute. Our food and beverage grocery products are priced separately for each order. The price of food and beverage grocery products we offer to our customers varies and depends primarily on, among other things, procurement costs as quoted to us by our suppliers, our Group’s expected margins, the type of products, the place of origin of the product brand, the volume of orders, the timing of product delivery and general market conditions. Our Directors believe that our pricing strategy allows us to pass on part of the increase in purchase costs to our customers. Comparing the pricing of similar products offered by our competitors from time to time, we believe that our price set for our products during the Track Record Period represented good value for money and remained competitive with those set by our competitors while capable of meeting our targeted profit margins. In order to stay competitive with our competitors, we also conduct checks on the pricing of our competitors as our points of reference. In addition to benchmarking against our competitors’ pricing, we have and will continue to determine and adjust the prices of our products based on the prevailing market trends, sourcing prices, seasonality and the pricing strategy as determined by the management of our Group. The prices are adjusted from time to time and are inputted and recorded in our ERP system.

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In addition to the abovementioned pricing policy, we also offer sales rebate and sales discounts to our customers. Sales rebate is granted to our customers when their purchase amounts achieve or exceed the target set forth in our contractual agreements or pre-agreed between the parties. The amount of sales rebate is calculated based on the customers' monthly gross purchase amount and is settled on a monthly basis. Adjustments may also be made to the sales rebate mechanism on an annual basis. For each financial year and period over the Track Record Period, the sales rebates we paid amounted to approximately 0.1% of our total sales.

Sales discounts are granted to certain target customers of our Group and customers whom we had solid business relationships with. The amount of sales discounts is determined through the parties' negotiations. For each financial year and period over the Track Record Period, the sales discounts we provided amounted to less than 1% of our total sales.

Product return policy

We generally accept returns or exchanges for any defective products sold by us that was damaged during transportation and delivery, after examination and upon approval of our sales department.

To ensure our customers are satisfied with our services, we have implemented product return policy to: (i) exchange the defective or damaged products; (ii) offer a price discount on the defective or damaged products; or (iii) refund our customers the relevant purchase amount of the defective or damaged products with its value in credit to be carried over onto the next order of the customer or to be held as future credit. We do this only after proper inspection and examination by our sales department that the product is defective or damaged. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product return due to product quality defects or damages, as well as any liability claims in relation to the same.

Obsolete policy

We regularly review our inventory levels for slow moving inventory, obsolescence or declines in market value. When obsolete or expired products are discovered, our warehouse staff will notify the finance department to write off the inventory in our ERP system. We may consider alternatives, such as donation, prior to disposing the products after verification. Once the product has been identified and verified, the item will be removed from the physical stock location and adjustment will be made to our ERP system. During the Track Record Period, we had written off approximately HK\$22,000, HK\$26,000 and HK\$14,000, respectively. Please refer to the section headed "Financial Information – Description of Selected Items of Consolidated Statements of Financial Position – Inventories" in this prospectus for further details of our inventories.

Seasonality

The sales of certain of our products may be subject to seasonality. Sales can also fluctuate during the course of a financial year for other reasons such as new product launch or advertising campaigns for specific products. However, given the diversity of our product offerings, our overall sales are balanced throughout the year and we do not believe that our results of operations are significantly affected by seasonality.

Marketing and promotion

To enhance the visibility and marketability of the products we distribute and promote our corporate image, we undertake advertising and promotional campaigns. The promotional campaigns conducted by us include participating in industry exhibitions and trade shows, such as HOFEX and Restaurant & Bar, and we collaborate with our suppliers to organise outdoor marketing booths in different districts in Hong Kong. Our Group also makes donations of our products to certain charitable organisations and places advertisements on television and internet to promote our corporate values and image.

We believe these advertising and promotion strategies help promote our own corporate image and increase our product awareness among our target consumer groups. Going forward, we intend to continue to focus on marketing and promotional activities to increase awareness of the products we distribute. We have recently launched certain canned products under our own brand to meet evolving consumer preferences and target key growth markets. We plan to set up a separate sales and marketing team to promote our own brand products and to follow up on any market responses to our products to understand consumers' needs and market changes. Our advertising, promotional and branding expenses for conducting marketing and promotion activities during the Track Record Period were HK\$887,000, HK\$700,000 and HK\$381,000, respectively, representing approximately 0.6%, 0.4% and 0.4% of our total revenue, respectively.

Profit sharing scheme

Our Group offers a profit sharing scheme to our sales personnel, under which the relevant sales personnel are entitled to share the gross profit of our Group in respect of the corresponding sales concluded by the relevant sales personnel should they meet the targets as specified in the scheme. The targets set out in the profit sharing scheme are based on gross profit of the Group in respect of the corresponding sales concluded by the relevant sales personnel and are adjusted on an annual basis. During the Track Record Period, the amount paid by our Group to our sales personnel under such scheme amounted to approximately HK\$1.7 million, HK\$2.7 million and HK\$1.2 million, respectively, representing approximately 1.1%, 1.5% and 1.3% of our total revenue during the same periods. Since the incentive receivables by our employees are directly linked to our gross profit, we believe the scheme had been one of the effective drivers in promoting our gross profit during the Track Record Period.

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OUR CUSTOMERS

As at the Latest Practicable Date, we served over 1,100 customers in Hong Kong which varied in terms of sizes, nature, operating models and types of cuisine. Our core customers are broadly categorised into (i) Restaurants, including Cha Chaan Teng, tea houses, cafes, bars, and other individual or chain restaurants serving Chinese, non-Chinese (including western or Asian styles) or multi-national cuisines; (ii) Non-commercial dining establishments, including canteens in schools, hospitals as well as elderly caring centres; (iii) hotels and private clubs, including five-star hotels and recreational clubs; (iv) food processing operators; and (v) wholesalers and other customers.

The five largest customers of our Group in aggregate accounted for approximately 14.2%, 13.9% and 13.5% of our total revenue during Track Record Period, being less than 30% of our total revenue, and our largest customer accounted for approximately 4.4%, 5.0% and 4.1% of our total revenue, respectively. All our five largest customers are based in Hong Kong. Up to the Latest Practicable Date, we had established a relationship of over three years with each of our five largest customers during the Track Record Period. The table below sets out the revenue from our Group's top five customers based on the ranking in respect of revenue generated by our Group during the Track Record Period:

Rank	Customer	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered to our customers (after month end)	Payment method	Revenue HK\$'000	As a percentage of total revenue %
<i>For the year ended 31 March 2015</i>						
1	Customer A ⁽¹⁾	5	45 days	Electronic funds transfer	6,890	4.4
2	Customer B ⁽¹⁾	4	45-50 days	Electronic funds transfer	4,344	2.8
3	Customer C ⁽¹⁾	7	20 days	Cheque	3,845	2.4
4	Customer D ⁽¹⁾	5	30-45 days	Electronic funds transfer	3,734	2.4
5	Customer E ⁽²⁾	6	20-30 days	Cheque	3,440	2.2
	Total				22,253	14.2
<i>For the year ended 31 March 2016</i>						
1	Customer A ⁽¹⁾	5	45 days	Electronic funds transfer	9,242	5.0
2	Customer F ⁽³⁾	4	45 days	Cheque	4,817	2.6
3	Customer D ⁽¹⁾	5	30-45 days	Electronic funds transfer	3,923	2.2
4	Customer E ⁽²⁾	6	20-30 days	Cheque	3,811	2.1
5	Customer C ⁽¹⁾	7	20 days	Cheque	3,659	2.0
	Total				25,452	13.9

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Rank	Customer	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered to our customers (after month end)	Payment method	Revenue HK\$'000	As a percentage of total revenue %
<i>For the six months ended 30 September 2016</i>						
1	Customer A ⁽¹⁾	5	45 days	Electronic funds transfer	3,872	4.1
2	Customer B ⁽¹⁾	4	45-50 days	Electronic funds transfer	2,259	2.4
3	Customer F ⁽³⁾	4	45 days	Cheque	2,240	2.4
4	Customer D ⁽¹⁾	5	30-45 days	Electronic funds transfer	2,236	2.4
5	Customer G ⁽¹⁾	3	45 days	Cheque and electronic funds transfer	2,068	2.2
	Total				12,675	13.5

Notes:

1. The relevant customers are restaurant chains serving multiple styles of cuisines.
2. Customer E is a siu-mei supplier.
3. Customer F is a Cha Chaan Teng chain operator.

All of our five largest customers during the Track Record Period have continuous business relationship with us since they have started purchasing from us. During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any material cancellation of orders by our customers.

To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or any Shareholders, who owns more than 5% of the share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue, nor any of their respective associates, has any interest in any of the five largest customers of our Group for each of the financial year and period over the Track Record Period. During the Track Record Period, all customers of our Group were Independent Third Parties.

We generally do not enter into any formal contract with our customers. In general, our customers place orders with us by way of phone calls and instant messages. Upon receipt of the order and to prevent any dispute on the purchase orders, we would issue an invoice which constitutes our contract with the customer and sets out, among other things, the product specifications as ordered by the customer, quantity required, unit price of the product, place of delivery and the credit terms (if applicable). Our customers are required to counter-sign on the invoices issued by us upon receipt of goods.

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Upon requests by the very few customers, our Group entered into short-term contracts with them to satisfy their internal requirements, the salient terms of which are summarised below:

Contractual term: Our contracts may have no fixed contract period or have a term typically ranging from three to twelve months with an average term of not more than six months.

Placement of order: Upon receipt of an order from our customer, we are deemed to have accepted the order unless a written notice is provided to our customer.

Payment: The price of each product shall be determined by writing after negotiations.

Unless otherwise specified, the payment shall include the fees for repackaging, transportation and insurance.

Unless otherwise specified, the sales shall take place in the form of sales on credit with payment being settled on a monthly basis.

Sales rebate: Sales rebate calculated based on the customers' monthly gross purchase amount is granted to our customers when their purchase amounts achieve or exceed the target set forth in our contracts. The percentage of sales rebate may be adjusted on an annual basis.

Delivery: We are responsible for arranging the delivery of products to our customers.

Product return: We are generally required to accept return for products that are subject to the mandatory product return ordered by any government authority or for products which our customer deems appropriate in the interest of its end users or its reputation. In such circumstances, we may exchange the products or refund our customers the relevant purchase amount of the products.

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Indemnity: Our Group shall indemnify the customer for any loss or damage incurred by it as a result of, among other things, our products, any breach of the contract terms by our Group, any breach of laws and regulations in the process of supplying or repackaging our products and our negligent acts.

Termination: The customer may terminate the contract unilaterally by written notice in circumstances such as the non-compliance of contractual terms by our Group and any breach of law and regulations by our Group.

Any one party may also terminate the contract (i) by prior written notice; (ii) by written notice when one party had committed a material breach of the contract which is not rectified in accordance with the contract; or (iii) by written notice when one party is incapable of paying its debts.

OUR SUPPLIERS

Our Group emphasises the importance of selecting our suppliers as we believe the supply of quality products is one of the key factors for us to succeed in this industry. The management of our Group typically decides on whether to source products from a supplier by reviewing the requisite certificates of our suppliers, for instance health certificate and other certificates, before we make purchases from them.

During the Track Record Period and up to the Latest Practicable Date, we sourced food and beverage groceries from over 220 suppliers, comprising (i) food importers and wholesalers; (ii) domestic and international brand owners and manufacturers; and (iii) agents and distributors primarily located in Hong Kong. Our Directors believe that food importers and wholesalers constitute an important channel for us to procure a wide spectrum of products across the world in a cost efficient way. We also purchase directly from domestic and international brand owners and manufacturers which generally allow us to have a higher margin.

The total purchases of our Group amounted to approximately HK\$129.1 million, HK\$145.3 million and HK\$74.9 million, respectively, during the Track Record Period. The five largest suppliers of our Group in aggregate accounted for approximately 25.4%, 26.0% and 28.0% of our total purchases during the same periods, being less than 30% of our total purchases, and our largest supplier accounted for approximately 7.9%, 8.7% and 8.8% of our total purchases, respectively. All our five largest suppliers are based in Hong Kong. Up to the Latest Practicable Date, we had established a relationship of over three years with each of our

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five largest suppliers during the Track Record Period. The table below sets out the background information of the top five suppliers based on the ranking in respect of the purchases incurred by our Group and their respective percentages of purchases of our Group during the Track Record Period:

Rank	Name of supplier	Principal business	Type of products purchased by our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered by our suppliers (after month end)	Payment method	Total Purchases HK\$'000	Percentage of our Group's total purchase %
<i>For the year ended 31 March 2015</i>								
1	Supplier A	Brand owner	sauce and condiment	3	15 days	Cheque	10,145	7.9
2	Supplier B	Dried goods trading	packaged food	7	30 days	Cheque	6,998	5.4
3	Supplier C	Edible oil trading	commodities and cereal products	5	20 days	Cheque	6,838	5.3
4	Supplier D	Canned food manufacturer	packaged food	7	10 days	Cheque	4,675	3.6
5	Supplier E	Food trading	packaged food	6	30 days	Cheque	4,138	3.2
							32,794	25.4
<i>For the year ended 31 March 2016</i>								
1	Supplier A	Brand owner	sauce and condiment	3	15 days	Cheque	12,590	8.7
2	Supplier C	Edible oil trading	commodities and cereal products	5	20 days	Cheque	7,255	5.0
3	Supplier B	Dried goods trading	packaged food	7	30 days	Cheque	6,919	4.8
4	Supplier D	Canned food manufacturer	packaged food	7	10 days	Cheque	5,544	3.8
5	Supplier F	Food trading	packaged food	6	30 days	Cheque	5,395	3.7
							37,703	26.0
<i>For the six months ended 30 September 2016</i>								
1	Supplier A	Brand owner	sauce and condiment	3	15 days	Cheque	6,585	8.8
2	Supplier F	Food trading	packaged food	6	30 days	Cheque	4,634	6.2
3	Supplier C	Edible oil trading	commodities and cereal products	5	20 days	Cheque	3,952	5.3
4	Supplier D	Canned food manufacturer	packaged food	7	10 days	Cheque	2,989	4.0
5	Supplier G	Food trading	commodities and cereal products	3	prepayment	Electronic funds transfer	2,750	3.7
							20,910	28.0

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To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or any Shareholders, who owns more than 5% of the share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue, nor any of their respective associates, has any interest in any of the five largest suppliers of our Group for each of the two years ended 31 March 2015, 2016 and for the six months ended 30 September 2016. During the Track Record Period, all suppliers of our Group were Independent Third Parties.

We generally do not enter into any distributorship agreement with our suppliers for the purchase of third party brand products which we distribute to our customers. In general, we would place orders with our suppliers by way of a purchase order, who would then issue the relevant invoices to us which constitute our contracts with the suppliers and set out, among other things, the product specifications, quantity required by us, unit price of the product, place of delivery and credit terms (if applicable).

In 2014, we entered into one non-exclusive distributorship agreement with our largest supplier during the Track Record Period which we renewed in 2016. The salient terms of the existing non-exclusive distributorship agreement are as follows:

Non-exclusive distributorship agreement

Contractual term:	The contract shall be effective for a period of two years from the date of contract, unless there is an early termination.
Area of distribution:	Hong Kong
Price and payment:	<p>The supplier determines the price at which we purchase their products based on the provided price lists list prices as established by them, but the price at which we sell the products are set by us, taking into account the price recommended by the supplier and a reasonable margin to the price at which we on-sell the products to our customers.</p> <p>We are required to settle the payment within a fixed time period after the invoice is issued.</p>
Delivery:	The products are delivered to us at the supplier's cost, while we are responsible for providing sufficient storage capacity and timely transportation arrangement and distribution of products to our customers.
Title and risk of loss:	Title to the products and legal risks are passed to us when the products have been delivered to us and we have accepted the products.

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Product return:	We may return defective products provided that such defect or damage was not attributable to our negligence.
Termination:	Either party may terminate the agreement upon prior written notice to the other party in accordance with the agreement.

In 2015, we entered into two exclusive distributorship agreements with our suppliers, OBA Makarnacilik San Ve Tic A.S. (“**OBA**”) and Erregi S.R.L. (“**Erregi**”), for brands exclusively distributed by us in Hong Kong. The office of OBA is located in Turkey and its principal business activities involves wheat crushing and pasta production. The office of Erregi is located in Italy and it engages in export of a wide range of Italian food products. It also produces products under its own brands. The following table sets out details of products exclusively distributed by our Group:

Suppliers	Brands exclusively distributed by our Group	Products exclusively distributed by our Group
OBA	OBA	Commodities and cereal products (pasta)
Erregi	Castello	Commodities and cereal products (olive oil, canned beans, canned Italian tomato), sauce and condiment (black vinegar, black truffle sauce), dairy products and eggs (cream) and beverage and wine (white wine and red wine)

The principal terms of the exclusive distributorship agreements which we renewed in 2016 include, among other things, the area of distribution, the price and payment, delivery and termination. The contractual terms range from 12 to 21 months, subject to automatic renewal of a further 12 months. The price for each individual transaction shall be fixed through negotiations between the parties, subject to final confirmation by OBA or Erregi which shall be settled by bank transfer. OBA or Erregi shall not, directly or indirectly, sell or export the products to customers in Hong Kong other than through our Group and shall refer to our Group any enquiry or order for the products received in Hong Kong during the contract period. OBA or Erregi shall share the expenses for advertising and publicity in connection with the products in Hong Kong during the contract period and bear all expenses or provide a full disbursement or discount if there is any damage or wrong delivery. If either party is found to have violated the terms of the agreement, the other party shall have the right to terminate the agreement. None of the exclusive distributorship agreement we entered into during the Track Record Period contained any minimum purchase commitment.

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Some of our suppliers also provide incentives, such as sales rebates, when the procurement amount of our Group achieves or exceeds a designated target. The amount of sales rebate is calculated based on the net invoiced selling price on all orders placed by our Group and is settled on an annual basis. Regular adjustment is also made to the cash rebate mechanism on an annual basis. During the Track Record Period, the sales rebate granted to us from our suppliers amounted to 0.3%, 0.3% and 0.3% of the total cost of sale of our Group, respectively.

WAREHOUSES AND REPACKAGING FACILITIES

As at the Latest Practicable Date, we had leased three warehouse facilities located in Kwun Tong, Hong Kong with total saleable area of approximately 3,076.5 sq.m. and designated storage capacity of approximately 2,300 CBM. From time to time during the Track Record Period and as at the Latest Practicable Date, the storage space of a third party warehouse in Yau Tong was also utilised by us for storing products procured. We carry more than 3,800 SKUs in our product portfolio including approximately 1,500 products that are in-stock every day. We can also process an average of approximately 600 orders every day and to meet our customers' needs for varying drop sizes, high services level and timely delivery.

As at the Latest Practicable Date, all the products procured from our suppliers were stored at our three rented warehouses in Kwun Tong and the storage space of a third party warehouse in Yau Tong. The following table sets forth the details of our warehouses for the periods indicated below:

Warehouse	Location	Rental period	Saleable area (sq.m.)	Designated storage capacity ⁽¹⁾ (CBM)	Storage utilisation rate			For the six months ended 30 September 2016 ⁽²⁾ (%)
					For the year ended 31 March 2015 ⁽²⁾ (%)	For the year ended 31 March 2016 ⁽²⁾ (%)	For the three months ended 30 June 2016 ⁽²⁾ (%)	
Warehouse A	Factory B on 9/F, Union Hing Yip Factory Building, No.20 Hing Yip Street, Kowloon, Hong Kong	From 1 February 2015 to 31 January 2018	486.7	380	N/A ⁽³⁾	95.9	100	93.7
Warehouse B	4/F, How Ming Factory Building, No. 99 How Ming Street, Kowloon, Hong Kong	From 6 June 2013 to 31 July 2017	1,595.0	1,000	100	100	100	93.7
Hung To Road Warehouse	Working Space A & B, G/F House of Corona, No. 50 Hung To Road, Kowloon, Hong Kong	From 1 June 2016 to 31 May 2019	994.8	979	N/A	N/A	N/A ⁽⁴⁾	81.1

Notes:

- Designated storage capacity is derived from (i) the actual floor area that has been generally used for storage purpose (the “**actual storage floor area**”) in each of the warehouse premises during the Track Record Period; and (ii) the maximum height that products can be stacked up for storage in each of the warehouse premises. Certain area of the Hung To Road Warehouse is designed for products to be stacked up for storage, while warehouse A and warehouse B have no such design. The maximum height that products can be stacked up in each warehouse is determined principally with regard to (i) the ceiling height; and (ii) products' tolerance level to stacking up.

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2. Storage utilisation rate for a particular period is the mean of the monthly utilisation rate of the total number of months in that period. The monthly storage utilisation rate is the mean of the daily storage utilisation rate of the 1st, 10th, 15th, 20th, 25th and last day of each month. The daily storage utilisation rate is calculated by the total cubic metres of the inventory stock stored in the warehouse on a particular day over designated storage capacity. For the purpose of calculating the total cubic metres of the inventory stock stored in the warehouse on a particular day, (i) we have chosen products from each product segment that generally have the most inventory stock on a daily basis; (ii) the volume of each of such products is measured; and (iii) the mean of the volume of such chosen products is used for the purpose of estimating the size of the remaining inventory stock products.
3. We started to utilise warehouse A in August 2015 pursuant to the acquisition of Eagle Food in July 2015 and hence the storage utilisation rate for the year ended 31 March 2015 is not available.
4. The Hung To Road Warehouse started operation in early July 2016 and hence the storage utilisation rate for the three months ended 30 June 2016 is not available.

As at the Latest Practicable Date, we have leased three warehouse facilities with total saleable area of approximately 3,076.5 sq.m. Assuming that the leases are not renewed or the options to renew (if any) are not exercised, approximately 2,081.7 sq.m of the leases of these three warehouses will expire in the financial year ending 31 March 2018 and the remaining 994.8 sq.m of the warehouse lease will expire in the financial year ending 31 March 2020. During the Track Record Period, we incurred rental expenses for warehouses amounted to approximately HK\$1.9 million, HK\$2.9 million and HK\$2.1 million, respectively.

In order to (i) expand the geographical coverage of our distribution network across various districts in Hong Kong; and (ii) broaden our product portfolio, we plan to replicate our success in Hung To Road Warehouse and lease two new warehouses of approximately 1,300 sq.m. each in the New Territories and on the Hong Kong Island. Our warehouses A and B have achieved 93.7% of storage utilisation rate as at the Latest Practicable Date. Please refer to the section headed “Statement of Business Objectives and Use of Proceeds – Future Plans and Business Strategies” in this prospectus for further details.

As at the Latest Practicable Date, our Group utilised one chilled cold store (0-4°C) and one frozen cold store (-18°C) in each of our three warehouses for storing products, such as butter and cream cheese. The vast majority of our products are stored at room temperature. As at the Latest Practicable Date, our Group owned and utilised a repackaging equipment located in one of our warehouses in Kwun Tong for providing the repackaging services.

QUALITY CONTROL

We have implemented quality control measures of our Group by requiring our suppliers to provide us with the relevant certifications or qualifications of the products before purchasing from them. Upon receipt of products delivered to us by our suppliers, our purchasing and warehouse management department will conduct quality and quantity checking (such as considering whether packaging appears to be swollen, leaked or rusted for canned food) to ensure that the products delivered to us are in good condition for sale.

We value our customers’ feedback on the products we supply and have implemented measures to handle complaints effectively. We have a dedicated team of customer service personnel who accept all customers’ complaints by way of fax, telephone and email to ensure

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a timely response to all customer concerns. Our customer service personnel handles customers' complaints promptly upon receipt. For serious complaints such as large quantity products return, our customer service personnel will report such matters to the head of administration department for investigation and resolution. We believe the above measures can protect the rights of our customers, especially for those who did not enter into formal contracts with our Group, help us reinforce our quality control standards to our consumers and instil our customers' confidence in our products.

Food Safety

In September 2014, some Taiwanese-branded edible oil products were supplied by a supplier to us and other food suppliers and distributors in Hong Kong and Taiwan. We subsequently sold some of such edible oil to our customers without knowing they were tainted. Upon receipt of notice from the supplier that the relevant food safety authority in Taiwan demanded product recall, we promptly notified our customers to whom we sold the edible oil in question of the potential food safety issue and returned all the remaining unsold edible oil to that supplier in September 2014. The subject edible oil only accounted for approximately 0.02% of our total sales for the year ended 31 March 2015 and our Group was able to obtain full refund of the purchase price of the subject edible oil from our supplier. In addition, we had not experienced any claim or dispute over the attribution of product liability or any related material product return during the Track Record Period and up to the Latest Practicable Date. Our Directors believe that the "gutter oil" incident (i) had, and would in the future have, minimal impact on our business operation and financial performance, and (ii) had no adverse impact on the reputation of our Group.

Internal control measures adopted by our Group

Subsequent to the incident, we had strengthened our internal control policies and procedures on the selection of suppliers and the origins of the products they supply.

Edible oil

Prior to procurement of edible oil we would conduct oil supplier's name check against the latest list of registered organisations maintained at the Hong Kong Quality Assurance Agency ("HKQAA"), a non-profit organisation established by the Hong Kong government to ensure the edible oil supplied by the organisations comes from appropriate and identifiable sources. HKQAA verifies whether the suppliers are qualified and the approved ones will be added to a list of registered organisations. They also conduct ad-hoc reviews, unannounced reviews and/or annual reviews to examine the continual fulfilment of all the requirements under the relevant scheme.

Our purchasing manager, who reports directly on a weekly or an as-needed basis to our executive Director, Mr. Wong Siu Man, is responsible for monitoring the abovementioned list of registered organisation and updating the approved vendor list in a timely manner to ensure our Group will only procure edible oil from qualified suppliers approved by HKQAA. Our

purchasing manager, who first joined our Group as a purchasing officer in 2011 and was promoted to the position of purchasing manager in 2015, in our Directors' view, has in-depth experience and knowledge in food procurement industry and is competent in her position on the basis that (i) she has been receiving on-the-job training; and (ii) no material food safety or quality incidents had occurred since her appointment to the current position. Our purchasing manager requires existing and new suppliers to provide products certificate and certificates of origins issued by, among others, third party quality assurance and testing service providers and government departments semi-annually to ensure the quality and ingredients of edible oil meet the standard of relevant authority. These products certificates are issued by independent and globally-recognised service providers, which conducts sample checking for each shipment by sending the collected samples to laboratories for analysis. They will certify whether the oil supplied are fully refined oil without comprising of or being contaminated with any kind of oil and fit for human consumption. If the suppliers are not able to provide such certificates, our Group will cease sourcing from them. We would avoid sourcing from suppliers who had a record of supplying substandard products or with negative reputation. Further, our Group conducts evaluation on new suppliers before purchase and on existing suppliers from time to time. In assessing their performance, we take into consideration of factors, such as timeliness of products, quality of edible oil, pricing, rate of responsiveness and feedback from customers. In addition, we would take further assessments if necessary, such as conducting physical site visits and preparing vendor evaluation reports for the approval by our executive Directors. If the performances of any suppliers are not up to the standard of the Group, they would be considered as unqualified and removed from the approved supplier list. Our internal control advisers are of the view that the internal control policies adopted by our Group are adequately and effectively designed to prevent any future re-occurrence of gutter oil incident.

Other products

The Food and Environmental Hygiene Department (“**FEHD**”) has issued various guidelines advising on the proper procedures for importing certain products, including Guide to Import of Food into Hong Kong, Guide to Import of Milk and Milk Beverages into Hong Kong and Guide to Import of Game, Meat, Poultry and Eggs into Hong Kong. The requirements stated in the abovementioned guidelines are summarised as follows:

- (a) *Import of food*: food importers and distributors are required to register with the Director of Food and Environmental Hygiene (the “**FEH Director**”) as food importers/distributors. An application for registration must identify the main food categories and classifications, as set out in the Food Safety Ordinance, of all food to be imported (in the case of a food importer) or supplied by wholesale (in the case of a food distributor).
- (b) *Import of milk and milk beverages*: before importing milk or milk beverage into Hong Kong, importers are required to apply to the FEHD in writing and provide information such as the full name and address of the milk or milk beverage processing plant, the law of the country of origin governing the production of milk or milk beverages, empty containers of the milk or milk beverage with labels and a statement from the manufacturer confirming the approximate shelf-life of the products, etc.

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- (c) *Import of game, meat, poultry and eggs:* if importers wish to import meat, poultry or eggs from a country/place where the issuing entity responsible for issuing health certificates is not recognized as an issuing entity by the FEH Director, they should ask the relevant issuing entity to apply to FEHD in writing and provide information such as the animal disease situation, the legislation governing hygienic standards of meat, poultry or eggs, the location of processing plants and facilities for handling, processing, production, storage and transport of meat, poultry or eggs and a sample of the official veterinary and health certificate, etc.

We have implemented food safety internal control measures to comply with the abovementioned guidelines applicable to our import/distribution business. Our purchasing manager regularly checks whether our internal control manual complied with the suggested procedures laid down by the relevant authorities, such as: (i) application for registration of food importers and distributors; (ii) update the main food categories and classifications applicable to us when there are changes of food types; and (iii) renewal of the registrations, and will update the same when necessary to ensure our food safety measures are up to the latest standard. Necessary trainings would also be provided to warehouse staff when there are updates on relevant procedures.

A formal meeting, in which our purchasing manager, executive Directors and independent non-executive Directors are present, will be held quarterly after the Listing to discuss matters regarding food safety, including news in the food and beverage grocery distribution industry, updates in relevant guidelines/regulations and implementation status of internal control procedures within our Group. Minutes will be prepared afterward as record.

Upon receipt of products delivered to us by our suppliers, our purchasing and warehouse management department will conduct quality checking by considering their expiry date and appearances (such as whether packaging appears to be swollen, leaked or rusted for canned food) to ensure that the products delivered to us are in good condition for sale. Further, we maintain records of the information about the products we procure, including date, suppliers' name and address, place of origin for importation, quantity and description of goods. Such record is made available after our warehouse staff confirmed on the purchase invoice. Our purchasing manager performs web search from time to time to check whether there are news on the suppliers or place of origins regarding unqualified products. Evaluations on new suppliers before purchase and on existing suppliers are also conducted from time to time. Factors such as timeliness of delivery of products, quality of products, pricing, rate of responsiveness and feedback from customers are considered. Suppliers evaluation reports are then prepared and approved by our executive Directors. If the performance of any suppliers is not up to the standard of our Group, they would be considered as unqualified and removed from the approved supplier list.

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Consumer Goods Safety Ordinance

As some of our food and beverage grocery products are consumer goods ordinarily supplied for private use or consumption, we are subject to the CGSO to ensure the products we supply are safe and comply with the general safety requirement of consumer goods. For details of the CGSO, please refer to the paragraphs headed “Regulatory Overview – Regulatory Framework – Consumer Goods Safety Ordinance” in this prospectus. If the products we supply to our customers are proved to be non-compliant with the safety standards, our Group could be fined and/or our supply can be prohibited by the relevant authorities even though we are not the manufacturers of the products. Please refer to the paragraphs headed “Risk Factors – Our Group’s business and operation are susceptible to product liability claims” for details.

During the Track Record Period and as at the Latest Practicable Date, other than the edible oil incident disclosed above, our Group had not been involved in any food safety or 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, or voluntary or mandatory product recalls.

INVENTORY MANAGEMENT AND TRANSPORTATION

Inventory Management

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

We procure products from our suppliers based on, among others, sales projection, our review of the historical trend and fluctuation of foreign currency. We usually maintain a pre-set safety inventory level for products, which is the estimated amount of products we consider necessary to meet any increase in demand for products. In case the inventory level of our products falls below a pre-set value, our ERP system will generate an alert for our purchasing teams’ further procurement actions. Furthermore, instead of procuring the same quantity and types of products on a regular basis, our procurement amounts are adjusted based on factors including, among others, the review of historical sales trend and exchange of market information between members of our purchasing teams periodically and the fluctuations of foreign exchange rate for products supplied by overseas suppliers.

Our average inventory turnover days were 15 days, 19 days and 21 days during the Track Record Period, respectively. We usually review and adjust our inventory level in advance in order to accommodate the anticipated increase in demand and needs of our products to avoid supply shortage and loss of profit. We also make procurement in large quantities each time and on a regular basis after taking into account the lead time between order and actual delivery,

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especially for products supplied by overseas suppliers, rather than making frequent purchases in small quantities, so as to lower overhead expenses such as administrative and transportation costs, resulting in the actual inventory level higher than a pre-set value to facilitate the efficient operation and smooth inventory management of our Group.

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

Transportation

We have engaged Easy Logistics and an independent transportation services provider to provide transportation and logistics services to our Group since 2013 and 2016, respectively. During the Track Record Period, we entered into sub-contracting agreements with Easy Logistics and another independent transportation services provider to provide delivery services to our customers at our expense. The agreements generally have a term of three years. According to the terms of the agreements, the transportation service providers will arrange for delivery of our products to our customers based on the delivery information, including date, quantity, pick-up location and recipient name and address we provide to them prior to delivery. The fees to be collected for the transportation services vary from a fixed lump sum per month to being calculated based on a certain percentage of the aggregate sales revenue of the Group per month. We are required to settle the transportation fees twice every month by cash or cheque. The transportation service providers will indemnify us for any damage or loss of products resulting from their mishandling of products during transportation with the liability limit of HK\$2,000 per product and HK\$20,000 per month. Either contractual party is entitled to terminate the sub-contracting agreement with a six-month written notice. The agreements contain no renewal of terms. During the Track Record Period, we incurred approximately HK\$10.1 million, HK\$12.3 million and HK\$6.3 million in utilising transportation services from the service providers, respectively; which accounted for approximately 8.2%, 8.7% and 8.8% of our total cost of sales for the respective period.

We typically inspect the trucks transporting our products before the transportation service providers leave our facilities and we require them to follow certain storage and transportation procedures to ensure that our products are transported under proper conditions. We also require the service providers to inspect the products and to confirm the quantity of products to be delivered and the destination for delivery. Once the products to be delivered have been confirmed, the service providers will be liable for any damage or loss during transportation, including delay of delivery, spoilage, damage or loss of products, unless such delay, spoilage, damage or loss was caused by our mishandling of the products.

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

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HONOURS AND AWARDS

We have received various honours and awards in Hong Kong in recognition of, among others, our fulfilment of corporate social responsibilities, in the industry. The following table sets out our major awards:

Year	Award/recognition	Awarding body
2015	Caring Company (商界展關懷) – Caring for the community, employees and environment	The Hong Kong Council of Social Service
2015	Heart to Heart Company (有心企業) 2015 – 2016	The Hongkong Federation of Youth Groups
2013	Certificate of Appreciation – providing disabled with job opportunities* (「愛與望飛翔」殘疾人士就業推廣計劃2013嘉許狀)	Junior Chamber International Tai Ping Shan and Caritas Rehabilitation Services* (明愛康復服務)
2012	Certificate of Corporate Social Responsibility	The Association of Evangelical Free Churches of Hong Kong

COMPETITION

According to the F&S Report, the food and beverage grocery distribution industry in which we operate our business market is highly competitive and fragmented with a diversified spectrum of market players. As of the end of 2015, the total number of food and beverage grocery companies reached 850 which include food and beverage suppliers, wholesalers, importers and exporters as well as distributors, accounting for approximately HK\$44.3 billion total market sales revenue. Our industry is forecasted to maintain a stable growth, with the total sales revenue reaching HK\$47.5 billion and HK\$63.7 billion by 2016 and 2020 with a CAGR of 7.6% from 2016 to 2020.

There are multiple entry barriers for new market players to establish business presence in the food and beverage grocery industry in Hong Kong. According to the F&S Report, these include industry experience and knowledge in managing the supply chain from sourcing of products to delivery to customers, building a wide distribution network, as well as developing a diverse product portfolio to cater for consumers' changing preferences. The high capital resources requirements for business operations also form a hurdle for new entrants without sufficient funding. Please refer to the section headed "Industry Overview" in this prospectus for further information on the competitive landscape, growth and entry barriers of the food and beverage grocery industry in Hong Kong. We believe that our competitiveness lies in our long-standing history and established reputation in the industry, our ability to provide quality value-added and customised services, diverse product portfolio long-term and stable working relationships with our suppliers and customers, as well as strong sourcing capabilities and wide

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distribution network. 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 refer to the sections headed “Business – Our Competitive Strengths” and “Business – Our Strategies” for further information.

EMPLOYEES

As at 31 March 2015, 31 March 2016, 30 September 2016 and as at the Latest Practicable Date, our Group had a total of 20, 26, 29 and 32 full-time employees, respectively. The following table sets out a breakdown of our full-time employees by functions as at the Latest Practicable Date:

Function	Number of employees
Management	2
Procurement and warehouse management	6
Sales	8
Marketing	1
Human resources and administration	1
Customer service	8
Finance and accounting	6
Total	32

We generally recruit our employees from the open market by placing recruitment advertisements and posting job listings on the Labour Department. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

We enter into individual employment contracts with our employees covering matters such as job title, working hours, probation, termination conditions, benefits and confidentiality obligations. These employment contracts generally have no fixed terms subject to termination by either party. All of our full-time employees are paid a fixed salary and depending on their positions, our employees may be awarded bonuses based on the employees’ performance. We conduct regular performance appraisals to ensure that our employees receive feedback on their performance.

We provide training sessions to our employees at different positions. For instance, we provide induction training on Group culture and departmental responsibilities for the new joiners of our Group. For sales staff, we provide practical training courses on how to manage sales performance and maintain business relationship with customers to ensure our employees possess the requisite skills to fulfil their job requirements. We also provide firm-wide training session by inviting outside speakers and staff members from different departments to conduct seminars on topics such as anti-corruption and work safety. During the Track Record Period

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and up to the Latest Practicable Date, there had not been any labour strike within our Group. We did not have any material labour disputes nor any material insurance claims related to employee injuries as at the Latest Practicable Date.

INSURANCE

Our insurance coverage includes employee insurance and all risks insurance (which includes loss and theft of, and damage to property such as our inventories in our warehouses). For the year ended 31 March 2015, 31 March 2016 and six months ended 30 September 2016, we incurred expenses for such insurance policies in the amount of approximately HK\$168,000, HK\$35,000 and HK\$137,000, respectively. We review our insurance policies from time to time for adequacy in the breadth of coverage. Our Directors are of the view that our insurance coverage is in line with the general coverage in the industry and is adequate for our operations. As at the Latest Practicable Date, we had not made nor been the subject of any material insurance claims. 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 refer to the section headed “Risk Factors – Risks Relating to our Group’s Business and Operation – Our Group may not be fully indemnified for our losses under our current insurance coverage” in this prospectus for more details.

HEALTH AND WORK SAFETY

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

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

ENVIRONMENTAL MATTERS

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 directly costs of compliance with applicable environmental protection rules and regulations during the Track Record Period. Our Directors expect that our Group will not directly incur significant costs for compliance with applicable environmental protection rules and regulations in the future. As at the Latest Practicable Date, our Group had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

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PROPERTIES

As at the Latest Practicable Date, we did not own any properties in Hong Kong or other places outside Hong Kong and leased three properties in Hong Kong from Independent Third Parties. Our leased properties are primarily used as warehouses and offices and the term of our leases ranges from approximately three years to four years. Our Directors do not foresee any major difficulties or impediments in renewing the relevant leases upon their expiration. Please refer to the paragraphs headed “Warehouses and Repackaging Facilities” in this section for further details.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had five registered trademarks and applied for registration of one trademark in Hong Kong. The application is still being processed by the relevant governmental department. The fact that the trademark is not registered does not have any material impact on the operations and financial condition of our business as we have conducted searches prior to applying for registration of the trademark, and we do not consider there to be any risk that we cannot complete the registration of the trademark. Details of our registered intellectual property rights are set out in the paragraph headed “B. Further Information About the Business – 2. Our material intellectual property rights” in Appendix IV to this prospectus. As at the Latest Practicable Date, there were no disputes or infringements in connection with our intellectual property rights pending or threatened against our Group which could have a material adverse effect on our operations or financial performance.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activities.

LICENCES, CERTIFICATES AND REGISTRATIONS

The following table set out the details of our major licences, certificates and registrations as at the Latest Practicable Date:

Licence, certificate or registration	Issuing body	Duration
Registration of food importer/ food distributor	Food and Environmental Hygiene Department	Three years ⁽¹⁾
Certificate of Fire Service Installation and Equipment	Fire Services Department	One year ⁽²⁾

Notes:

1. The registrations of each of our major operating subsidiaries will respectively expire on 31 January 2018, 8 December 2018 and 13 September 2019.
2. The certificates will respectively expire on 10 June 2017 and 1 March 2018.

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

LEGAL COMPLIANCE AND PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, there had not been any material or systemic non-compliance of our Group and there were no litigations or claims of material importance (to the Group's financial condition or results of operation) pending or threatened against any member of our Group.

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 2016 to assist our Group to review and provide recommendations on improving our internal control system. The internal control adviser has reviewed and provided recommendations to our internal control system, including the following:

1. we have designated Mr. Chan Po Chak, our financial controller and company secretary, to be responsible for overseeing all compliance matters and we require all of our management and staff to report any non-compliance or potential non-compliance matters to him as soon as reasonably practicable. Our financial controller will report all matters of compliance to our Board of Directors and the financial controller is authorised to enlist professional assistance and advice of external professional advisers if and whenever he deems appropriate;
2. we will appoint an external internal control consultant to perform regular review on the internal control system and compliance procedures of the Group and provide recommendations when necessary;
3. our internal audit function regularly monitors key controls and procedures in order to assure our management and our Board of Directors that the internal control system is functioning as intended. The audit committee of our Board is responsible for supervising our internal audit function, risk management and internal control systems and financial reporting process of our Group. For the qualifications and experience of these audit committee members, please refer to the section headed "Directors and Senior Management – Independent Non-executive Directors" in this prospectus;

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4. our Directors have attended a training session in October 2016 conducted by our Hong Kong legal advisers on, among other things, the obligations, on-going corporate governance requirements and the duties of directors of a company listed on the Stock Exchange;
5. we have appointed LY Capital Limited as our compliance adviser to advise us on compliance matters in relation to the GEM Listing Rules; and
6. all of our management and staff are required to report to and/or notify our Directors promptly of any non-compliance or potential non-compliance incidents.

Our Group adopted the following internal control policies to ensure the accuracy and completeness of our Group's accounting books and records in relation to the settlement methods of some of our customers which is further explained in the section headed "Financial Information – Liquidity and capital resources – Cashflow" in this prospectus.

- a. in respect of reconciliation between the "Hung Fat Ho" partnership and our Group, our accounts department maintains a list of account receivables of each client, which shows the invoice amount, due date and whether the balance would be collected by "Hung Fat Ho" partnership or our Group. Our Group would monitor the collection status on a monthly basis and follow-up with the relevant clients when the balance is overdue for a period of time. In addition, after the "Hung Fat Ho" partnership has received settlements from the customers on behalf of our Group, our accounts department would match the amount received by the "Hung Fat Ho" partnership with each individual sales invoice. If a lump sum payment has been made, our accounts department would contact our customers to confirm the corresponding sales invoices they were repaying. The bank statement of "Hung Fat Ho" partnership and sales invoices would be attached with the vouchers as supporting documents;
- b. to prevent embezzlement of funds by "Hung Fat Ho" partnership in the collection arrangement, dual control has been established in the payment procedures. The accounting officers of our Group have the custody of cheque, which other staff does not have access to. When there are payment needs, the accounting officers will initiate payment requisition, while our executive Directors, Mr. Wong Siu Man and/or Mr. Wong Siu Wa, will check the validity of payment application. In addition, when performing reconciliation between the "Hung Fat Ho" partnership and our Group, our account department would also check whether the settlement has been withdrawn beforehand, instead of directly transferring the same to our Group;
- c. the "Hung Fat Ho" partnership has established certain internal control procedures regarding bank accounts management. For example, when there are payment needs, the accounting officers of our Group will initiate payment requisition with the relevant supporting documents. Our executive Directors, Mr. Wong Siu Man and/or Mr. Wong Siu Wa, will check the validity of payment application before authorizing the payment. In addition, the accounts department is responsible for monitoring the conditions of fund movement in bank accounts. Bank reconciliation is performed regularly to verify the difference between balances in bank statement and those in the accounting system; and

BUSINESS

- d. in respect of reconciliation between our Group and our customers, we would send reconciliation statement to our customers on a monthly basis including the invoice number, invoice amount, due date, outstanding balance and other relevant information. When the balance is overdue for a period of time, our Group would carry out overdue procedures to ensure the collectability of our receivables. Such overdue procedures include (i) sending overdue reminders for payments overdue for 30 days or more; (ii) accepting only cash on delivery orders for payments overdue for 45 days or more; (iii) informing our lawyer to issue legal letter, etc. for payments overdue for 60 days or more; (iv) initiate legal proceedings at the courts or small claim tribunal in Hong Kong for payments overdue for 90 days or more; and (v) engaging a third-party payment collection company to handle payment collection.

Our Directors have confirmed that during the Track Record Period, save as disclosed in this prospectus, no material failure occurred and we believe that our internal control and risk management system (including the book and accounting records of our Group) are sufficient and effective.

In preparation of the Listing, we engaged SHINEWING Risk Services Limited (the “**Internal Control Consultant**”), an independent internal controls advisor, to examine our overall internal controls system. Based on the independent internal control review and the follow up review thereafter, the Internal Control Consultant has concluded that material internal controls have been in place properly before 30 September 2016. In addition, the Internal Control Consultant did not identify any material ineffectiveness of internal controls over our Group’s accounts and records. The Sole Sponsor has reviewed and relied on, without conducting any independent verification, the independent internal control review results provided by the Internal Control Advisers and representations provided by Directors. Together with the due diligence work performed, which is consistent with the principle set out in Practice Note 2 of GEM Listing Rules, nothing had come to the Sole Sponsor’s attention which would cast its reasonable doubt (which is up to the standard reasonably expected of a sponsor who is not itself an expert with respect to internal control in accordance with Practice Note 2 of GEM Listing Rules) that there are material deficiencies in our internal control measures adopted over our Group’s books and records.

The following set out the key risk management and control procedures for our business:

Operational risk management

Mr. Wong Siu Wa, our executive Director, is responsible for maintaining our operations and assessing the operational risks of our business. He is responsible for implementing our risk management policies and procedures. Recognising the importance of occupational safety, we have implemented safety guidelines based on applicable regulations and require all of our employees to strictly comply with such guidelines. We also carry out regular safety checks on our packaging equipment to ensure that it is thoroughly tested and safe for use. In addition, we require operators of our equipment to attend training sessions on the required safety standards and we provide our employees with regular work place safety trainings.

Risk control

Our risk register has identified certain risks that require management, including inappropriate and inconsistent practises, failure to detect unethical behaviours, wrong doings or potential frauds and unauthorised access to confidential information. In order to control such risks, our Group has endorsed staff handbook, internal control manual and compliance manual which require all Directors and employees of our Group to observe.

Regulatory risk management

Upon Listing, our Group may be exposed to the risks of non-compliance with the GEM Listing Rules. We have assigned Mr. Chan Po Chak, our company secretary and financial controller, to update the content of compliance manual at least annually and to distribute to all Directors and employees any new amendments of the GEM Listing Rules. We have engaged LY Capital Limited as our compliance adviser as required under Rule 6A.19 of the GEM Listing Rules. All Directors and employees are required to acknowledge their understanding of staff handbook, internal control manual and compliance manual at least annually. Our Group will also retain a Hong Kong legal adviser to advise us on compliance matters in relation to applicable Hong Kong laws and regulations.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The following table sets forth certain information regarding the current members of our Board and senior management:

Name	Age	Position	Date of appointment as a Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. WONG Siu Man (黃少文)	44	chairman and executive Director	29 September 2016	24 November 2005	overall management, business direction and development strategies	brother of Mr. Wong Siu Wa
Mr. WONG Siu Wa (黃少華)	48	Chief Executive Officer and executive Director	29 September 2016	24 November 2005	overall management, business direction and development strategies	brother of Mr. Wong Siu Man
Mr. YIP Kam Cheong (葉錦昌)	42	executive Director and compliance officer	29 September 2016	1 September 2011	overseeing sales	none
Mr. WONG Chun Hung Hanson (黃俊雄)	43	non-executive Director	29 September 2016	17 August 2016	advising on our strategy, performance and resources	none
Mr. TO Yan Ming Edmond (杜恩鳴)	45	independent non-executive Director	27 March 2017	27 March 2017	advising on our strategy, performance, resources and standard of conduct	none
Mr. CHAU Shing Yim David (周承炎)	53	independent non-executive Director	27 March 2017	27 March 2017	advising on our strategy, performance, resources and standard of conduct	none

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of appointment as a Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. WONG Garrick Jorge Kar Ho (黃嘉豪)	35	independent non-executive Director	27 March 2017	27 March 2017	advising on our strategy, performance, resources and standard of conduct	none
Mr. CHAN Po Chak (陳寶澤)	50	company secretary	N/A	13 October 2016	supervising all finance activities and accounting operations	none
Ms. CHEUNG Ching Han (張靜嫻)	32	business development manager	N/A	27 December 2012	overseeing the marketing, human resources and administrative departments	none
Mr. LAW Kwok Yan (羅國欣)	39	sales manager	N/A	1 September 2011	manage key customer accounts	none
Mr. WONG Chun Fung (黃鎮鋒)	33	sales manager	N/A	1 December 2010	manage key customer accounts	none

Set forth below are the biographies of our Directors:

EXECUTIVE DIRECTORS

Mr. WONG Siu Man (黃少文), aged 44, who together with Mr. Wong Siu Wa founded HFH Food in November 2005, was appointed as an executive Director with effect from 29 September 2016. Mr. Wong Siu Man also acts as the chairman of our Board and is also one of our Controlling Shareholders. Mr. Wong Siu Man is primarily responsible for the overall management, business direction and development strategies of our Group. Mr. Wong Siu Man has accumulated 18 years of industry experience from the management of the “Hung Fat Ho” partnership and from the management of HFH Food and Ongo Food. Mr. Wong Siu Man has been responsible for the business development, sales and marketing and administrative departments of HFH Food since its incorporation in 2005. Mr. Wong Siu Man has also been responsible for managing business development and sales of Ongo Food since July 2011. Mr. Wong Siu Man has been playing an important role in the establishment of our Group’s distribution channels and relationships with key customers. Mr. Wong Siu Man is the younger brother of Mr. Wong Siu Wa. Mr. Wong Siu Man completed his secondary school education at Kei Chi Middle School in 1987 and assisted in the daily operation of the “Hung Fat Ho” grocery store before 1998 and the “Hung Fat Ho” partnership after 1998.

DIRECTORS AND SENIOR MANAGEMENT

Mr. WONG Siu Wa (黃少華), aged 48, who together with Mr. Wong Siu Man founded HFH Food in November 2005, was appointed as an executive Director with effect from 29 September 2016. Mr. Wong Siu Wa is also our Chief Executive Officer and one of our Controlling Shareholders. Mr. Wong Siu Wa is primarily responsible for the overall management, business direction and development strategies of our Group. Mr. Wong Siu Wa has accumulated 18 years of industry experience from the management of the “Hung Fat Ho” partnership and HFH Food. Mr. Wong Siu Wa has been responsible for the procurement department of HFH Food since its incorporation in 2005 and has been playing an important role in developing relationships with our key suppliers through his work in heading the procurement department of HFH Food. Mr. Wong Siu Wa is the elder brother of Mr. Wong Siu Man. Mr. Wong Siu Wa completed his secondary school education at S. K. H. Holy Trinity Church Secondary School in 1984 and assisted in the daily operation of the “Hung Fat Ho” grocery store before 1998 and the “Hung Fat Ho” partnership after 1998.

Mr. YIP Kam Cheong (葉錦昌), (“Mr. Jeremy Yip”), aged 42, was appointed as an executive Director with effect from 29 September 2016, and as our Compliance Officer on 28 October 2016. Mr. Yip has joined our Group as a senior sales manager since 2011. Mr. Jeremy Yip is primarily responsible for overseeing the sales department of our Group. Mr. Jeremy Yip has over 10 years of industry experience in the food and beverage industry. Mr. Jeremy Yip previously worked as an assistant sales manager at Wing Sang Cheong Limited between July 2009 and August 2011 mainly responsible for sales and client management. Wing Sang Cheong Limited primarily engaged in the supply of food products. Prior to working at Wing Sang Cheong Limited, Mr. Jeremy Yip served as a manager at Success Global Holdings Limited between January 2006 and January 2008 mainly responsible for all operation including sales and marketing and office operation. Success Global Holdings Limited was an insurance brokers firm. Mr. Jeremy Yip began his career at the Island Shangri-La Hotel as a costing clerk between April 1991 and June 1999.

Mr. Jeremy Yip was awarded as a certified financial consultant by The Institute of Financial Consultants in May 2006 and as a registered financial planner by the Registered Financial Planners Institute from August 2004 to August 2005. Mr. Jeremy Yip completed his secondary school education at the St. Louis Matriculation Evening Course in June 1993.

NON-EXECUTIVE DIRECTOR

Mr. WONG Chun Hung Hanson (黃俊雄) (“Mr. Hanson Wong”), aged 43, was appointed as a non-executive Director with effect from 29 September 2016. Mr. Hanson Wong is primarily responsible for advising on strategy, performance and resources of our Group. Mr. Hanson Wong has over 15 years of industry experience in the finance industry. Mr. Wong is currently an executive director of Resources Capital Investment Management Limited since 1 January 2015, which mainly engaged in managing a portfolio of companies that carry on business or dealing in securities, futures contracts and asset management. Mr. Wong previously served as a sales manager at CSC Securities (HK) Limited whose business includes dealing in futures contracts from May 2001 to February 2010, acted as the chief operation officer at New Trend Futures Limited whose business includes dealing in futures contracts from March 2010

DIRECTORS AND SENIOR MANAGEMENT

to December 2011, as a director from March 2010 to November 2013 at Well Smart Asia Investment Limited, as a futures broker from December 2011 to September 2013 at Stockwell Commodities Limited whose business includes dealing in futures contracts and as a director of SFG Management Limited from May 2012 to March 2015. Mr. Hanson Wong was appointed as the charter committee member* (創會理事) of the Happy Hong Kong Charity Foundation from May 2015 to May 2018, as the chairman of the Kowloon City District of Scout Association of Hong Kong from July 2015 to June 2016, as a committee member* (常務理事) of the Shamshuipo Kaifong Welfare Advancement Association in January 2015, as the assistant commissioner (Ag.)* (署理助理總監) of the Hong Kong Road Safety Patrol from January 2016 to March 2017, as the 18th chairman of the Hong Kong Precious Metals Traders Association Limited since August 2016 and as the vice president of Association of International Certified Financial Consultants since October 2016. Mr. Hanson Wong completed his secondary school education at Munsang College in July 1990. Mr. Hanson Wong was a licenced representative in carrying out dealing in futures contracts from April 2003 to November 2013, in advising on futures contracts from April 2003 to March 2004 and in asset management from April 2003 to March 2004 under the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TO Yan Ming Edmond (杜恩鳴) (“Mr. To”), aged 45, was appointed as an independent non-executive Director with effect from 27 March 2017. Mr. To is also the chairman of our remuneration committee and a member of our audit committee and our nomination committee. Previously, Mr. To served in a number of roles from a staff accountant to a senior accountant at Deloitte Touche Tohmatsu between August 1997 and September 2001. Mr. To was employed as an accountant at Kwan Wong Tan & Fong between February 1997 and August 1997 prior to the merger between the two firms. Mr. To also serves as the director of Edmond To CPA Limited from October 2007, Asian Alliance (HK) CPA Limited (formerly known as Zhonglei (HK) CPA Limited) from July 2009 and R.C.W. (HK) CPA Limited from November 2011. Mr. To obtained his Bachelor of Commerce (Accounting) degree from Curtin University of Technology in Western Australia in February 1996. Mr. To is a Certified Public Accountant (practising) in Hong Kong, a certified practising accountant of the Australian Society of Certified Practising Accounts, and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. To’s past and current directorships in listed companies in Hong Kong in the last three years are set forth in the following table:

Company	Stock Code	Position	Term
BEP International Holdings Limited	2326	independent non-executive director	from 5 June 2009 to 20 December 2013
Theme International Holdings Limited	990	independent non-executive director	from 5 November 2009 to 31 May 2015

DIRECTORS AND SENIOR MANAGEMENT

Company	Stock Code	Position	Term
China Household Holdings Limited	692	independent non-executive director	from 24 April 2012 to 10 December 2015
China Vanguard Group Limited	8156	independent non-executive director	from 11 January 2006 to present
Wai Chun Group Holdings Limited	1013	independent non-executive director	from 29 September 2009 to present
Wai Chun Mining Industry Group Company Limited	660	independent non-executive director	from 22 August 2013 to present
Courage Marine Group Limited	1145	independent non-executive director	from 1 November 2015 to present
Tianli Holdings Group Limited (formerly known as Eyang Holdings (Group) Co., Limited)	117	independent non-executive director	from 14 July 2016 to present
Birmingham International Holdings Limited	2309	independent non-executive director	from 15 October 2016 to present
EPI (Holdings) Limited	689	independent non-executive director	from 18 October 2016 to present
SH Group (Holdings) Limited	1637	independent non-executive director	from 6 December 2016 to present

Mr. CHAU Shing Yim David (周承炎) (“Mr. Chau”), aged 53, was appointed as an independent non-executive Director with effect from 27 March 2017. Mr. Chau is also the chairman of our audit committee and a member of our remuneration committee and our nomination committee. Mr. Chau has 20 years of experience in corporate finance. Mr. Chau was formerly a partner of Deloitte Touche Tohmatsu between October 2000 and November 2007 and was in charge of the mergers and acquisition and corporate finance division. He is a member of the Hong Kong Securities Institute, the Institute of Chartered Accountants of England and Wales (“**ICAEW**”), and obtained the Corporate Finance Qualification of ICAEW, and a member of the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) since November 1992, and was an ex-committee member of the Disciplinary Panel of HKICPA in 2004. Mr. Chau obtained his Bachelor of Science (Economics and Accounting) degree from the University of Ulster in July 1986.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chau's past and current directorships in listed companies in Hong Kong in the last three years are set forth in the following table:

Company	Stock Code	Position	Term
Up Energy Development Group Limited	307	independent non-executive director	from 20 June 2013 to 25 September 2015
China Solar Energy Holdings Limited	155	independent non-executive director	from 15 May 2015 to 12 June 2015
Lee & Man Paper Manufacturing Limited	2314	independent non-executive director	from 1 October 2008 to present
China Evergrande Group	3333	independent non-executive director	from 14 October 2009 to present
Man Wah Holdings Limited	1999	independent non-executive director	from 5 March 2010 to present
Richly Field China Development Limited	313	independent non-executive director	from 12 February 2014 to present
Evergrande Health Industry Group Limited	708	independent non-executive director	from 27 March 2015 to present
Hengten Networks Group Limited	136	independent non-executive director	from 26 October 2015 to present
Shun Cheong Holdings Limited	650	independent non-executive director	from 5 August 2016 to present

Mr. WONG Garrick Jorge Kar Ho (黃嘉豪) (“Mr. Garrick Wong”), aged 35, was appointed as an independent non-executive Director with effect from 27 March 2017. Mr. Garrick Wong is also the chairman of our nomination committee and a member of our remuneration committee and our audit committee. Mr. Garrick Wong has been the director and general manager of Kar Seng International Trade & Investment Company, Limited (嘉承國際貿易投資有限公司), a company engaging in import and export trading and investment business in Macau, since 16 September 2010 and a director of Chip Seng Coffee Company Limited (捷成咖啡有限公司), an importer and food distributor of coffee products in Macau, since 1 July 2009. Mr. Garrick Wong obtained his Master of Business Administration degree from the University of Macau in May 2012 and his Bachelor of Science (Electrical Engineering) degree from the Queen's University in May 2004.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Garrick Wong is currently a member of Board of Directors of the Macao Chamber of Commerce, a director of the Industrial Association of Macao and the Vice Chairman of Macao Youth Entrepreneur Association.

Save as disclosed above, there are no other directorships held by the Directors in any listed company whose securities are listed on any stock exchange in Hong Kong or overseas within the three years immediately preceding the date of this prospectus.

Although Mr. To and Mr. Chau also hold directorships in other listed companies, our Directors are of the view that both of them will be able to devote sufficient time to discharge their respective responsibilities as independent non-executive Directors of the Company, considering that (i) their involvement in other listed companies in Hong Kong as an independent non-executive director does not require them to devote substantial time and attention; (ii) their respective attendance rate of 75% or above of board meetings, meetings of the board committees and general meetings of other listed companies in Hong Kong during the financial period reported in the latest available annual reports; and (iii) their years of experience as independent non-executive directors of listed companies in Hong Kong would facilitate their understanding of corporate governance and their proper discharge of responsibilities.

DISCLOSURE REQUIRED UNDER RULE 17.50(2) OF THE GEM LISTING RULES

Each of the Directors confirms with respect to him/her that, save as disclosed in the paragraphs headed “C. Further Information about Directors, Management and Staff” in Appendix IV to this prospectus, (i) he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (ii) there is no other information that should be disclosed for pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iii) to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the Directors that need to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

Ms. CHEUNG Ching Han (張靜嫻), (“Ms. Christy Cheung”) aged 32, has joined our Group as the business development manager since 27 December 2012. Ms. Christy Cheung is primarily responsible for overseeing the marketing, human resources and administration departments. Previously, Ms. Christy Cheung served as an assistant merchandiser at Quick Feat International Ltd. between October 2010 and October 2012, Addison Ltd. between May 2007 and April 2008, and Handtex International Ltd. between June 2005 and April 2007. Ms. Christy Cheung obtained a higher diploma in business administration and a diploma in fashion merchandising and retailing from Hong Kong Institute of Vocational Education in July 2008 and July 2005, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. LAW Kwok Yan (羅國欣), (“Mr. Law”) aged 39, has joined our Group as a sales manager since September 2011. Mr. Law is primarily responsible for managing key customer accounts. Mr. Law has over 16 years of experience in food and beverage industry. Mr. Law started his career as a sales executive, from November 1999 to May 2005 at Wing Sang Cheong Limited, and an assistant sales manager at Wing Sang Cheong Limited from March 2006 to August 2011 which engaged in the supply of food products.

Mr. WONG Chun Fung (黃鎮鋒), (“Mr. Wong”) aged 33, has joined our Group as a sales manager since December 2010. Mr. Wong is primarily responsible for managing key customer accounts. Mr. Wong has over 9 years of experience in food and beverage industry. Mr. Wong started his career as a business development representative from March 2007 to April 2008 at Swire Beverages Limited which engaged in the supply of beverages; a sales supervisor from May 2008 to April 2010 at Wing Sang Cheong Limited which engaged in the supply of food products.

None of the members of our senior management has held any directorship in any public listed company during the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. CHAN Po Chak (陳寶澤), aged 50, was appointed as our company secretary with effect on 28 October 2016. Previously, Mr. Chan acted as the finance manager of GIA Hong Kong Laboratory Limited from August 2012 to September 2016 and an accounting manager between July 2010 and December 2011 at S.F. Express (Hong Kong) Limited where Mr. Chan was responsible for the preparation of consolidated financial and management reporting at regional level to headquarters. Mr. Chan also worked as an accounting manager at Binhai Investment Company Limited (stock code: 2886) (formerly known as Wah Sang Gas Holdings Limited) from August 2007 to August 2009 where Mr. Chan was responsible for the preparation of financial information and analysis, circulars and prospectus and was the head of finance at the headquarter in Tianjin where he was responsible for ensuring compliance with HKFRSs, formulating internal control policies and procedures and streamlining finance related operation processes. Prior to Binhai Investment Company Limited, Mr. Chan also acquired experience in the accounting and finance industry including such as being a senior accountant at Wai Kee Holdings Limited from May 2005 to June 2007 of which he also held the role of Qualified Accountant from July 2006 to June 2007; a management accountant at Synthes Asia Pacific from July 2004 to March 2005; a company accountant at AIMS Home Loans in Australia from June 2000 to January 2001; an accounting manager at DS Components Limited from June 1998 to February 1999; an accounting manager at Digital Lighting Co., Limited between April 1997 and May 1998; the chief accountant at China Construction (Hong Kong) Limited from March 1996 and April 1997; and an accountant at Wai Kee Holdings Limited from January 1995 to January 1996.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan has been a member of the HKICPA since December 1998 and admitted to Fellow in February 2007 and a Certified Practising Accountant of the CPA Australia since September 1998. Mr. Chan was admitted as an associate of The Taxation Institute of Hong Kong in January 2007, a member of the Australian Institute of Management in May 2010 and an Associate of the Taxation Institute of Australia (now known as The Tax Institute) in July 2012. Mr. Chan was registered as a certified tax adviser since 2011. Mr. Chan obtained his Graduate Certificate in Applied Finance and Investment from the Financial Services Institute of Australasia in April 2003 and his degree of Master of Commerce (Honours) in Accountancy from the University of Wollongong in December 1993.

COMPLIANCE OFFICER

Mr. YIP Kam Cheong has been appointed as the compliance officer of our Company on 28 October 2016. Please refer to the paragraph headed “Executive Directors” above for details of his biography.

REMUNERATION POLICY

Our executive Directors, independent non-executive Directors and senior management receive compensation in the form of fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the Directors and senior management, as well as the performance of our Group. Our Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for provision of services to our Group or executing their functions in relation to our Group’s operations. Our Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of the Directors and performance of our Group.

After the Listing, the remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload and time devoted to our Group and performance of our Group. The Directors may also be offered options under the Share Option Scheme.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, the aggregate director’s fee, salaries and allowances and retirement benefits scheme contribution, other benefits in kind and/or discretionary bonuses, paid by us to the Director were approximately HK\$1.4 million, HK\$1.5 million and HK\$0.9 million, respectively.

During the Track Record Period, the aggregate salaries and allowances, discretionary bonuses and retirement benefits scheme contribution, paid by us to the five highest paid individuals was approximately HK\$2.4 million, HK\$3.0 million and HK\$1.7 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, no other emoluments have been paid, or are payable, by us to the Directors and the five highest paid individuals in respect of each of financial year and period over the Track Record Period.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, the Directors (excluding discretionary bonus) for the year ending 31 March 2017 will be approximately HK\$1.3 million.

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

BOARD COMMITTEES

Audit committee

Our Company established the audit committee on 27 March 2017 with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Mr. Chau Shing Yim David, Mr. To Yan Ming Edmond and Mr. Wong Garrick Jorge Kar Ho with Mr. Chau Shing Yim David being the chairman of the audit committee. The duties of the audit committee include reviewing, in draft form, the annual report and accounts, half-year report and quarterly reports and providing advice and comments to the Board. In this regard, members of the audit committee will liaise with the Board, the senior management, the reporting accountants and auditors. The audit committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by the accounting staff, compliance officers or auditors. Members of the audit committee are also responsible for reviewing our Group's financial reporting process and risk management and internal control systems.

Remuneration committee

Our Company established the remuneration committee on 27 March 2017 which comprises three independent non-executive Directors, namely, Mr. To Yan Ming Edmond, Mr. Chau Shing Yim David and Mr. Wong Garrick Jorge Kar Ho with Mr. To Yan Ming Edmond being the chairman of the committee. Written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules have been adopted. Among other things, the primary duties of the remuneration committee are to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of independent non-executive Directors.

DIRECTORS AND SENIOR MANAGEMENT

Nomination committee

Our Company established the nomination committee on 27 March 2017 which comprises three independent non-executive Directors, namely, Mr. Wong Garrick Jorge Kar Ho, Mr. Chau Shing Yim David and Mr. To Yan Ming Edmond with Mr. Wong Garrick Jorge Kar Ho being the chairman of the committee. Written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 15 to GEM Listing Rules have been adopted. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for the Directors.

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the revised Corporate Governance Code and the associated GEM Listing Rules which became effective in January 2016.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed LY Capital Limited to be the compliance adviser, who will have access to all relevant records and information relating to our Group that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Group must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connect transaction under the GEM Listing Rules, is contemplated by our Group, including share issues and share repurchases;
- (c) where our Group proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operations deviate from any forecast, estimate or other information contained in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The terms of the appointment will commence on the Listing Date and end on the date on which our Group complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year after the Listing Date, or until the agreement is terminated, whichever is earlier.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, the Directors are not aware of any person who will, immediately after completion of the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), has an interest or short position in the Shares or the underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group. The Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

Name of Shareholder	Nature of interest	Number of Shares as at the Latest Practicable Date	Percentage of shareholding in our Company as at the Latest Practicable Date	Number of Shares immediately after completion of the Capitalisation Issue and the Share Offer ⁽¹⁾	Percentage of interest in our Company immediately after completion of the Capitalisation Issue and the Share Offer
Mr. Wong Siu Man	Interest in a controlled corporation	18,400	92%	772,800,000 (L)	69.0%
Ms. Fan Wing ⁽²⁾	Interest of spouse	18,400	92%	772,800,000 (L)	69.0%
Mr. Wong Siu Wa	Interest in a controlled corporation	18,400	92%	772,800,000 (L)	69.0%
Ms. Zhu Min ⁽³⁾	Interest of spouse	18,400	92%	772,800,000 (L)	69.0%
Sky Alpha ⁽⁴⁾	Legal and beneficial owner	18,400	92%	772,800,000 (L)	69.0%
Mr. Hanson Wong ⁽⁵⁾	Interest in controlled corporation	1,600	8%	67,200,000(L)	6%
Ms. Lam Wing Yu ⁽⁶⁾	Interest of spouse	1,600	8%	67,200,000(L)	6%
Mr. Terence Mak ⁽⁵⁾	Interest in controlled corporation	1,600	8%	67,200,000(L)	6%
Ms. Cheung Wan Che ⁽⁷⁾	Interest of spouse	1,600	8%	67,200,000(L)	6%
Trillion Advance ⁽⁵⁾	Legal and beneficial owner	1,600	8%	67,200,000(L)	6%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. Ms. Fan Wing is the spouse of Mr. Wong Siu Man. Under the SFO, Ms. Fan Wing is deemed to be interested in the same number of Shares in which Mr. Wong Siu Man is interested.
3. Ms. Zhu Min is the spouse of Mr. Wong Siu Wa. Under the SFO, Ms. Zhu Min is deemed to be interested in the same number of Shares in which Mr. Wong Siu Wa is interested.

SUBSTANTIAL SHAREHOLDERS

4. Sky Alpha is the registered owner of 772,800,000 Shares, representing 69% of our issued share capital immediately upon completion of the Share Offer and Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Share which may be issued upon exercise of any option which may be granted under the Share Option Scheme). Sky Alpha is owned as to 58.38% by Mr. Wong Siu Man, 38.92% by Mr. Wong Siu Wa and 2.7% by Glory Concord. Mr. Wong Siu Man and Mr. Wong Siu Wa are therefore deemed to be interested in the same number of Shares in which Sky Alpha is interested under the SFO.
5. Trillion Advance is the registered owner of the 67,200,000 Shares, representing 6% of our issued Share Capital immediately upon complete of the Share Offer and Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Share which may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Trillion Advance is directly owned by Mr. Hanson Wong and Mr. Terence Mak as to 66.7% and 33.3%, respectively. Mr. Hanson Wong and Mr. Terence Mak are therefore deemed to be interested in the same number of Shares in which Trillion Advance is interested under the SFO.
6. Ms. Lam Wing Yu is the spouse of Mr. Hanson Wong. Under the SFO, Ms. Lam Wing Yu is deemed to be interested in the same number of Shares in which Mr. Hanson Wong is interested.
7. Ms. Cheung Wan Che is the spouse of Mr. Terence Mak. Under the SFO, Ms. Cheung Wan Che is deemed to be interested in the same number of Shares in which Mr. Terence Mak is interested.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to 69% by Sky Alpha. Sky Alpha is in turn 58.38% owned by Mr. Wong Siu Man, 38.92% owned by Mr. Wong Siu Wa and 2.7% owned by Glory Concord. As Sky Alpha, Mr. Wong Siu Man and Mr. Wong Siu Wa are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following the Listing, each of Sky Alpha, Mr. Wong Siu Man and Mr. Wong Siu Wa shall be regarded as a Controlling Shareholder under the GEM Listing Rules. In addition, on the basis that Glory Concord has restricted its ability to exercise direct control over our Company as it holds its interest through a common investment holding company with Mr. Wong Siu Man and Mr. Wong Siu Wa, namely Sky Alpha, Glory Concord is part of the group of Controlling Shareholders of our Company with Mr. Wong Siu Man and Mr. Wong Siu Wa.

Acting in concert arrangements

Over the course of our business history, Mr. Wong Siu Man and Mr. Wong Siu Wa were either the legal or beneficial owners of the shares in each of the subsidiaries comprising our Group. Each of Mr. Wong Siu Man and Mr. Wong Siu Wa has, in exercising and implementing the management and operations of our subsidiaries, been acting in concert with each other. Because we were a group of private entities in the past, these arrangements were not formalised into writing and each of Mr. Wong Siu Man and Mr. Wong Siu Wa was content with these arrangements based on their close and long term business and personal relationships as brothers, as well as the trust and confidence they have in each other.

On 10 November 2016, in preparation for the Listing, among others, Mr. Wong Siu Man and Mr. Wong Siu Wa executed the Deed of AIC Confirmation, whereby they have confirmed their acting in concert arrangements in the past, as well as their intention to continue to act in the above manner (as long as he/she remains as a shareholder of our Company) upon the Listing to consolidate their control over our Group until and unless the Deed of AIC Confirmation is terminated in writing. The Deed of AIC Confirmation covers our Company and all of our subsidiaries (each a “**Relevant Subsidiary**”) and contains the following salient terms:

With respect to the businesses of our Company and the Relevant Subsidiaries, among others, Mr. Wong Siu Man and Mr. Wong Siu Wa have pursuant to the Deed of AIC Confirmation, confirmed to each other that, for the entire duration when they were/are contemporaneously the shareholders of our Company and the Relevant Subsidiaries:

- (a) they have agreed to, and shall continue until the termination of the Deed of AIC Confirmation to, consult each other and reach an unanimous consensus among themselves on such matters being the subject matters of any shareholders’

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

resolution, prior to putting forward such resolution to be passed at any shareholders' meeting of our Company and the Relevant Subsidiaries, and have historically voted on such resolutions in the same way;

- (b) they have centralised, and shall continue until the termination of the Deed of AIC Confirmation to centralise, the ultimate control and right to make final decisions with respect to their interests in the businesses and projects of our Company and the Relevant Subsidiaries;
- (c) they have operated, and shall continue until the termination of the Deed of AIC Confirmation to operate, our Company and the Relevant Subsidiaries as a single business venture.

Hence, Mr. Wong Siu Man and Mr. Wong Siu Wa, together through Sky Alpha, will be entitled to control approximately 69% of our entire issued share capital immediately upon the completion of the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Share Option).

COMPETITION

Our Controlling Shareholders, apart from our Group's business, the Directors and their respective close associates do not have any interest which competes or may compete, directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

In addition, our Controlling Shareholders have given a non-competition undertaking in favour of our Group. For details, please refer to the paragraphs headed "Non-Competition Undertaking" in this section below.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Our Directors believe that our Group is capable of carrying on our business independent of, and does not place undue reliance on, our Controlling Shareholders or their close associates, taking into consideration the following factors:

Management independence

We have an independent management team comprising our executive Directors and senior management who have substantial experience in our business. Our management team is able to implement our Group's policies and strategies and performs its roles in our Company independently.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

We aim at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The three independent non-executive Directors have extensive experience in different areas or professions. The main functions of our Board include approving our overall business plans and strategies, monitoring the implementation of these plans and strategies and the overall management of our Group.

Our Company will have two common directors with Sky Alpha, namely Mr. Wong Siu Man and Mr. Wong Siu Wa. Despite the common directorship, our Company believes that management independence between our Company and Sky Alpha will be maintained as Sky Alpha is an investment holding company, the only significant business interest of which is our Group. Further, each of the Directors is aware of his fiduciary duties as a director which requires, among other things, that he acts for the benefit and in the best interests of our Company and Shareholders as a whole, and does not allow any conflict between his duties as a Director and his personal interest to exist. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and the Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum.

Our Board and the senior management operate as a matter of fact independently of our Controlling Shareholders and they are in a position to fully discharge their duties to the Shareholders and our Company as a whole after the Listing without reference to our Controlling Shareholders.

Operational independence

We have established our own organisational structure comprising individual departments, each with specific areas of responsibilities. We have not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their respective close associates.

Further, we are not required to have sufficient capital, equipment and employees to operate our businesses independently. We have also established various internal control procedures to facilitate the effective operation of our business.

Our Group has not entered into any connected transaction with any of our Controlling Shareholders that will continue after the Listing.

Financial independence

Our Group has our own accounting systems, accounting and finance department and independent treasury function for cash receipts and payments. We make financial decisions according to our own business needs.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our finance department will be responsible for financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns.

All guarantees, indemnities and other securities provided by Mr. Wong Siu Man, Mr. Wong Siu Wa and/or companies controlled by Mr. Wong Siu Man and/or Mr. Wong Siu Wa for the benefit of our Group will be released upon the Listing. As at the Latest Practicable Date, our bank borrowings including the banking facilities of HK\$3.0 million which are guaranteed by Mr. Wong Siu Man and Mr. Wong Siu Wa. For further information, please refer to the section entitled “Financial Information — Indebtedness” in this prospectus.

Our Directors confirm that, as at the Latest Practicable Date, except for the guarantee mentioned in the paragraph above in this section, our Controlling Shareholders have not provided any loan to our Group, nor any other guarantee in favour of our Group. Notwithstanding the above, our Group has independent financial systems and independent treasury function for receiving cash and making payments and independent access to third party financing. Our Group makes financial decisions according to its own business needs.

In view of our Group’s internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors further believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders as covenantors (each a “Covenantor”, and collectively the “**Covenantors**”) entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) on 27 March 2017 and confirm that none of them is engaged in any business which directly or indirectly, competes or is likely to compete with the business of our Company and any of our subsidiaries, or has any interest in such business.

Non-competition

In accordance with the Deed of Non-competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earliest of (a) the date on which our Shares cease to be listed on GEM; (b) the date on which the Covenantors cease to be a controlling shareholder of our Company; and (c) the date on which the Covenantors cease to be entitled to exercise or control the exercise of 30% or more in aggregate of the voting power at general meetings of our Company:

he/it will not, and will use his/its best endeavours to procure any Covenantor, his/its close associates (collectively, the “**Controlled Persons**”) and any company directly or indirectly controlled by any Covenantor (the “**Controlled Company(ies)**”) not to, either

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

on his/its own or in conjunction with any person, firm or company, among other things, carry on, participate or be interested in or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether or not for profit, reward or otherwise), any activity or business which is or may be in competition, directly or indirectly, with our Group's business in importation and the distribution of food and beverage grocery products (the "**Restricted Business**").

The Deed of Non-competition does not apply to:

- (a) the holding of or interests in the shares of any member of our Group; or
- (b) the holding of or interests in shares or other securities in any company other than our Group, provided that, in the case of such shares, they are listed on a recognised stock exchange and either:
 - (i) the relevant Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that relevant company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
 - (ii) the total number of the shares held by the Controlled Persons and Controlled Company(ies) in aggregate own an interest not exceeding 5% of the issued shares of our company in question, and the Covenantors and/or their respective close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there should exist at least another shareholder of that company (together, where appropriate, with its close associates) whose shareholdings in that company should be more than the total number of shares of that company held by the Covenantors in aggregate and/or their respective close associates in aggregate.

New business opportunity

If any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the "**New Business Opportunity**"):

- (a) he/it shall within 10 days notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable us to make an informed assessment of such opportunity; and
- (b) he/it shall not, and shall procure that his/its Controlled Person(s) or Controlled Company(ies) not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by our Company and the principal terms of which the Covenantor or his/its Controlled Person(s) or Controlled Company(ies) invest or participate in are no more favourable than those made available to our Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

A Covenantor may only engage in the New Business Opportunity if (a) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the “**Non-acceptance Notice**”); or (b) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity. Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless his/her attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

Our Board (including the independent non-executive Directors) will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Covenantor or Controlled Company or whether or not the New Business Opportunity constitutes competition with the Restricted Business. The factors that will be taken into consideration by our Board in making the decision include whether it is in line with the overall interests of our Shareholders.

Under the Deed of Non-competition, each of the Covenantors further undertake to and covenant with our Company that during the period for which the Deed of Non-competition is in force that he/it shall:

- (a) allow, and shall procure that the relevant close associates (excluding us) to allow the independent non-executive Directors to review, at least on an annual basis, the Covenantors that they are in compliance with the Deed of Non-competition;
- (b) subject to such confidentiality restrictions or requirements as may be applicable or reasonably necessary, provide all information reasonably requested by us which is necessary and only to the extent required for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (c) make an annual declaration on compliance with his/its undertakings under the Deed of Non-competition in our annual reports as the independent non-executive Directors think fit and/or as required by the relevant requirements under the GEM Listing Rules; and
- (d) procure our Company to review, on an annual basis, the compliance with the Deed of Non-competition by the Covenantors and disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either through the annual report, or by way of announcement.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The undertakings given by the Covenantors under the Deed of Non-competition shall lapse and the Covenantors shall be released from the restrictions imposed on them upon the occurrence of the earliest of any of the following events or circumstances:

- (1) the day on which the Shares cease to be listed on the Stock Exchange;
- (2) in respect of a Covenantor, the day on which the relevant Covenantor and/or his/its close associates, jointly and severally, ceases to hold 30% or more of the equity interest in our Company; or
- (3) in respect of a Covenantor, the date on which that Covenantor and/or his/its close associates, jointly and severally, ceases to be entitled to exercise or control the exercise of 30% or more in aggregate of the voting power at general meetings of our Company.

CORPORATE GOVERNANCE MEASURES

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

- (1) our independent non-executive Directors will review, on an annual basis, the Deed of Non-competition to ensure compliance with the non-competition undertaking by our Controlling Shareholders;
- (2) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (3) our Company will disclose decision and its basis on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company or by way of announcement to the public;
- (4) our Controlling Shareholders have undertaken to provide an annual confirmation to our Company confirming that each of our Controlling Shareholders and his/its close associates have not breached the terms of the undertakings contained in the Deed of Non-competition; and
- (5) our Controlling Shareholders will abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests in relation to the Restricted Business and the New Business Opportunity.

SHARE CAPITAL

SHARE CAPITAL

The authorised share capital of our Company is as follows:

Authorised:

	<i>HK\$</i>
<u>2,000,000,000</u> Shares of HK\$0.01 each	<u>20,000,000</u>

Without taking into account the exercise of the Offer Size Adjustment Option and 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 of our Company immediately following the Capitalisation Issue and the Share Offer will be as follows:

15,600,000	Shares in issue as at the Latest Practicable Date	156,000
824,400,000	Shares to be issued pursuant to the Capitalisation Issue	8,244,000
<u>280,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>2,800,000</u>
<u>1,120,000,000</u>	Shares	<u>11,200,000</u>

Assuming the Offer Size Adjustment Option is exercised in full, and 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 of our Company immediately following the Capitalisation Issue and the Share Offer will be as follows:

15,600,000	Shares in issue as at the Latest Practicable Date	156,000
824,400,000	Shares to be issued pursuant to Capitalisation Issue	8,244,000
280,000,000	Shares to be issued pursuant to the Shares Offer	2,800,000
42,000,000	Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option	420,000
<u>1,162,000,000</u>	Shares	<u>11,620,000</u>

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

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

RANKING

The Offer Shares will rank *pari passu* with all Shares now in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus save for the entitlements under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of these principal terms is set out in the paragraphs headed “D. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to allot and issue and deal with the unissued Shares with an aggregate nominal value of not more than:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

The Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements providing for the allotment of Shares in lieu of the whole or in part of any cash dividends or options to be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

For further details of this general mandate, please refer to the paragraphs headed “A. Further Information about our Company – 5. Extraordinary general meeting of our Shareholders held on 27 March 2017” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraphs headed "A. Further information about our Company – 6. Repurchase by our Company of its own securities" in Appendix IV to this prospectus.

The above mentioned general mandate to issue and repurchase Shares will expire:

- (a) at the conclusion of the next annual general meeting of our Company;
- (b) at the expiration of the period within which the next annual general meeting of our Company is required by any applicable laws or the Articles to be held; or
- (c) when varied or revoked by an ordinary resolution of the Shareholders in general meeting;

whichever is the earliest.

For further details of these general mandates, please refer to the paragraphs headed "A. Further information about our Company – 5. Extraordinary general meeting of our Shareholders held on 27 March 2017" and "A. Further information about our Company – 6. Repurchase by our Company of its own securities" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (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 any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

SHARE CAPITAL

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days . The notice must specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of that business. In addition notice of every general meeting shall be given to all members of our 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 our Company, and also to the auditors for the time being of our Company.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited consolidated financial information as at and for the years ended 31 March 2015 and 2016 and the six months ended 30 September 2016, including the notes thereto, as set out in “Appendix I – Accountants’ Report” to this prospectus. The consolidated financial information has been prepared in accordance with HKFRS. You should read the whole of the Accountants’ Report included as Appendix I to this prospectus and not rely merely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis 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, our actual results may differ significantly from those anticipated in the forward-looking statements. Factors that might cause future results to differ significantly from those anticipated in the forward-looking statements include those discussed in the section headed “Risk Factors” in this prospectus.

OVERVIEW

We are an established food and beverage grocery distributor in Hong Kong with over 40 years of experience in the food and beverage grocery distribution industry since the original “Hung Fat Ho” grocery store was established in the 1970’s. We specialise in distributing an extensive portfolio of food and beverage groceries to a wide array of customers, including Restaurants, food processing operators, Non-commercial dining establishments, hotels and private clubs and wholesalers in Hong Kong. We also offer product sourcing, repackaging, quality assurance, warehousing and storage, transportation as well as other value-added services to provide one-stop food distribution solutions to our customers.

We have developed a diversified product portfolio of over 2,100 food and beverage groceries and over 3,800 SKUs of branded and non-branded products. Our products of over 300 brands are originated from various jurisdictions, such as Hong Kong, China, Japan, Korea, Thailand, Malaysia, the United Kingdom, the United States, Spain, France, Turkey and Italy during the Track Record Period. Our product portfolio widely range from food commodities, specialty food ingredients to kitchen products which can be broadly categorised into (i) commodities and cereal products; (ii) packaged food; (iii) sauce and condiment; (iv) dairy products and eggs; (v) beverage and wine; and (vi) kitchen products.

We achieved significant increase in revenue and profit attributable to owners of the Company in recent years. Our revenue increased by approximately 17.6% from approximately HK\$156.2 million for the year ended 31 March 2015 to approximately HK\$183.7 million for the year ended 31 March 2016; and increased by approximately 6.3% to approximately HK\$93.6 million for the six months ended 30 September 2016 as compared to that for the same period ended 30 September 2015. Such increases were mainly contributed by the organic growth of the businesses of HFH Food and Ongo Food, other operating subsidiaries of our

FINANCIAL INFORMATION

Group for the same period but also the external growth resulted from the acquisition of Eagle Food in July 2015 to broaden the Group's customer base. Following the acquisition of Eagle Food, Eagle Food contributed approximately HK\$9.5 million and approximately HK\$9.4 million for the year ended 31 March 2016 and the six months ended 30 September 2016, respectively, accounting for approximately 5.2% and approximately 10.0% of our total revenue for the same periods. Our profit attributable to the owners of Company increased by approximately 33.4% from approximately HK\$9.0 million for the year ended 31 March 2015 to approximately HK\$12.1 million for the year ended 31 March 2016. Such increase was in line with the increase in our revenue but also the increased share of net profit of Ongo Food, which has become our Group's wholly owned subsidiary as a result of the completion of acquisition of its 20.0% entire issued equity interest in July 2015. Excluding the non-recurring listing expenses of approximately HK\$4.3 million incurred for the six months ended 30 September 2016, our profit attributable to the owners of our Company amounted to HK\$4.7 million for the six months ended 30 September 2016, represented a slight decrease of HK\$0.4 million compared to approximately HK\$5.1 million for the six months ended 30 September 2015 mainly as a result of the increase in our rent, rates and management fees mainly due to the addition of two warehouses for our business expansion.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 29 September 2016 as an exempted company with limited liability under the Companies Law. In preparation for the Listing, our Group underwent the Reorganisation. Please refer to the section headed "History, Reorganisation and Corporate Structure" in this prospectus for further details of the Reorganisation. Our consolidated statements of profit or loss and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period included the results, changes in equity and cash flows of the companies now comprising our Group following the consummation of the Reorganisation, as if our Group had been in existence in its current form throughout the Track Record Period.

Our Group is principally engaged in the food and beverage grocery distribution business in Hong Kong (the "**Listing Business**"). Immediately prior to the Reorganisation, the Listing Business was mainly conducted through HFH Food, Eagle Food and Ongo Food which were ultimately controlled by our Controlling Shareholders. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company and the intermediate holding entities of the Listing Business have not been involved in other business prior to the Reorganisation. The Reorganisation did not result in any change in management and the ultimate owners of the Listing Business remained the same. Accordingly, the consolidated financial information of the Company and the Listing Business is prepared using the carrying values of the Listing Business for all periods presented.

We have prepared our consolidated financial information for the Track Record Period in accordance with HKFRS issued by the HKICPA. Such consolidated financial information has been prepared under historical cost convention.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Economic conditions of Hong Kong

With most of our customers being restaurants and other food services operators in Hong Kong, our business of operation is susceptible to the changes of disposable income levels, discretionary consumer spending and consumer preferences which is largely affected by the general economy of Hong Kong. Economic conditions in Hong Kong may be volatile and repress consumer confidence and discretionary spending. If Hong Kong experiences any adverse economic conditions due to circumstances beyond our control, such as local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, consumers may choose to spend discretionary dollars less frequently which could result in a decline in consumers' purchases of food away from home, and consequently, the businesses of our customers by, among other things, reducing the frequency with which our customers' customers choose to dine out or the amount they spend on meals while dining out. If our customers' sales decrease, our overall business and results of operations may be materially and adversely affected.

Supply of inventories

Our profitability and operating margins are dependent upon, among other things, our ability to anticipate and react to any interruptions in our distribution network and changes to food costs and availability. We generally do not enter into long term contracts with our suppliers whereby they would be committed to provide products to us for any appreciable duration of time. We have developed a close and stable relationship with our key suppliers and have adequate number of suppliers for each major type of products, which allow us to maintain a stable and flexible supply of products. However, we are still expose a risk that suppliers may not provide or may be unable to provide products 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 that meet our customers' expectations may result in significant cost increases. In some extreme cases, we will be out-of-inventory and unable to generate sales.

Cost of inventories

We operate within a segment of the food and beverage grocery distribution industry, which is an industry characterised by a high volume of sales with relatively low profit margins. Although our profit margins are higher than some of industry players, they are still relatively low compared to other industries' profit margins. Most of our sales are at prices that are based upon product cost plus a percentage markup. As a result, volatile purchase costs of our products have a direct impact upon our profitability. If there is any increase in the purchase cost of our products, we may be unable to pass on all or a portion of such product cost increases to our customers which may have a negative impact on our profit margins and results of operations. In addition, increased product cost may negatively impact consumer discretionary spending decisions within our customers' dining establishments, which could adversely impact our sales. Our ability to effectively price our products and quickly respond to inflationary cost pressures could have a material impact on our business, financial condition or results of operations.

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Product and customer mix

Our profitability and results of operations are affected by our product and customer mix. Depending on their quality and brands, our diversified portfolio of food and beverage products have different cost bases and selling prices, and hence different gross profit margins. Moreover, products within the same product segment may generate different gross profit margins due to different quality and brands as well. Also, the composition of sales to each customer also varies depending on their demands and specification of packaging. This may also create conditions for inventory obsolescence with respect to the products with diminishing consumer demand. Consequently, our gross profit margins are impacted by the composition on the products that make up our sales.

Our change in customer mix of different type of customers which entail different gross profit margins, depending on various factors such as sales volumes, pricing and marketing strategies. In case of price-cutting strategy to retain existing customers or acquire new customers, our selling price may not be able to be maintained and our revenue and results of operations may be adversely affected. Any change in the structure of revenue contribution from our product and customer mix or change in gross profit margin of any component may have a corresponding impact on our overall gross profit margin.

Transportation expenses

We place significant emphasis on managing our entire supply chain to maintain stable and timely supply of our products to our customers. Our transportation expenses are the largest expenses except inventories costs, representing approximately 67.5%, 65.6% and 70.4% of our selling and distribution expenses for the Track Record Period, respectively. We however cannot completely avoid market risk of price fluctuation of the transportation expenses which in turn is subject to various factors beyond our control, such as industry supply and demand and changes in logistics companies' market strategies. As a result, we are exposed to the market risk of price fluctuation which may directly impact our transportation expenses. If we are unable to effectively transfer the increase in transportation expenses resulting from price fluctuation to our customers through timely adjustment of the selling price of our products, our profitability and results of operations could be adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For our accounting estimates on allowance for bad and doubtful debts and allowances for inventories, we had not noted material difference of our estimates from the actual results during the Track Record Period. Also, we had not experienced any change in estimates nor its underlying assumptions in the past. The method and assumptions on such estimates will unlikely be changed in the future. Our significant

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accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set out below. See Notes 3 and 4 of the Accountants' Report set out in Appendix I to this prospectus for details.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied: (i) our Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (ii) our Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to our Group; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Allowance for bad and doubtful debts

The allowance for bad and doubtful debts of our Group is estimated based on the evaluation of collectability and ageing analysis of individual trade debts performed by our management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of our Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for inventories

Management of our Group reviews the inventory ageing analysis at the end of the reporting period in order to identify slow-moving inventory items. Our management estimates the net realisable value for inventories based primarily on the latest market prices and current market conditions. In addition, our Group carries out an inventory review on a product-by-product basis at the end of each reporting period and provides necessary allowance if the net realisable value is estimated to be below the cost.

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RESULTS OF OPERATIONS

The following table summarises the selected items in our consolidated statements of comprehensive income for the Track Record Period, extracted from the Accountants' Report in Appendix I to this prospectus.

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Revenue	156,211	183,744	88,069	93,583
Cost of sales	<u>(122,319)</u>	<u>(141,789)</u>	<u>(68,867)</u>	<u>(71,627)</u>
Gross profit	33,892	41,955	19,202	21,956
Other gain and losses, net	(270)	(81)	(55)	(242)
Other income	373	64	64	–
Selling and distribution expenses	(14,894)	(18,753)	(8,862)	(8,949)
Administrative expenses	(7,781)	(8,600)	(4,070)	(7,064)
Listing expenses	–	–	–	(4,259)
Finance costs	<u>(3)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Profit before taxation	11,317	14,585	6,279	1,442
Income tax expense	<u>(1,867)</u>	<u>(2,344)</u>	<u>(1,031)</u>	<u>(1,015)</u>
Profit and total comprehensive income for the year/period	<u>9,450</u>	<u>12,241</u>	<u>5,248</u>	<u>427</u>
Profit and total comprehensive income for the year/period attributable to:				
– Owners of the Company	9,040	12,056	5,063	427
– Non-controlling interests	<u>410</u>	<u>185</u>	<u>185</u>	<u>–</u>
	<u>9,450</u>	<u>12,241</u>	<u>5,248</u>	<u>427</u>

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DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We generate all of our revenue from distribution of food and beverage grocery products during the Track Record Period. Our revenue represents the fair value of amounts received and receivable from sales of food and beverage grocery products by the Group to external customers, net of discounts and sales returns.

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

<i>Product types</i>	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Commodities and cereal products	48,859	31.3	54,683	29.8	27,224	30.9	27,359	29.2
Packaged food	45,191	28.9	52,721	28.7	23,768	27.0	24,758	26.5
Sauce and condiment	26,499	17.0	31,648	17.2	16,735	19.0	18,767	20.1
Dairy products and eggs	23,516	15.1	28,369	15.4	13,051	14.8	13,698	14.6
Beverage and wine	8,639	5.5	11,071	6.0	5,050	5.7	5,983	6.4
Kitchen products	3,507	2.2	5,252	2.9	2,241	2.6	3,018	3.2
	<u>156,211</u>	<u>100.0</u>	<u>183,744</u>	<u>100.0</u>	<u>88,069</u>	<u>100.0</u>	<u>93,583</u>	<u>100.0</u>

Our revenue generated from different types of product contributed rather stable during the Track Record Period. During the Track Record Period, commodities and cereal products, packaged food, sauce and condiment, and dairy products and eggs were the major food and beverage grocery categories sold by us, in aggregate, accounting for approximately 92.3%, 91.1% and 90.4%, respectively, of our total revenue. For the six months ended 30 September 2016, we expanded our product portfolio with an increase in number of products, such as truffle related products sourced from overseas. Hence, revenue from sauce and condiment segment in proportion to our total sales revenue increased for the six months ended 30 September 2016 compared to the six months ended 30 September 2015 whilst revenue from commodities and cereal products, packaged food and dairy products and eggs in proportion to our total sales revenue decreased for the six months ended 30 September 2016 compared to the six months ended 30 September 2015.

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During the Track Record Period, revenue generated from sales of commodities and cereal products accounted for approximately 31.3%, 29.8% and 29.2% of our total revenue, respectively, being our largest contributing product types during the Track Record Period. Our sales of commodities and cereal products increased by approximately 11.9% for the year ended 31 March 2016 as compared to the previous year; and remained relatively stable for the six months ended 30 September 2016 as compared to the previous period.

Our sales of packaged food increased by approximately 16.7% for the year ended 31 March 2016 as compared to the previous year; and increased by approximately 4.2% for the six months ended 30 September 2016, as compared to the previous period mainly as a result of increased orders received due to our wider product range offered and an increase in average selling price as a result of a general inflationary price adjustment.

Our sales of sauce and condiment increased by approximately 19.4% for the year ended 31 March 2016 as compared to the previous year; and increased by approximately 12.1% for the six months ended 30 September 2016, as compared to the previous period mainly as a result of increased orders received for products for taking advantage of the rebates offered and new products introduced such as truffle related products sourced from overseas for the six months ended 30 September 2016.

Our sales of dairy products and eggs increased by approximately 20.6% for the year ended 31 March 2016 as compared to the previous year; as a result of increased orders received for dairy products due to the increase in demand of our certain products. For the six months ended 30 September 2016, our sales of dairy products and eggs increased by approximately 5.0% for as compared to the previous period mainly due to increase in orders received of existing products and a new product introduced in May 2016.

Our sales of beverage and wine increased by 28.2% for the year ended 31 March 2016 as compared to the previous year. For the six months ended 30 September 2016, our sales of beverage and wine increased by approximately 18.5% for as compared to the previous period mainly due to increases in orders received for steady growth of existing products and a new product introduced in late 2015.

Our sales of kitchen products were stable throughout the Track Record Period.

With over 40 years of our business operations, we have built a board customer base covering (i) Restaurants, including Cha Chaan Teng, tea houses, cafes, bars, and other individual or chain restaurants serving Chinese, non-Chinese (including western or Asian styles) or multi-national cuisines; (ii) Non-commercial dining establishments, including canteens in schools, hospitals as well as elderly caring centres; (iii) hotels & private clubs, including five-star hotels and recreational clubs; (iv) food processing operators; and (v) wholesalers and other customers.

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The table below sets forth the breakdown of our revenue by business segments of our customers for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Food service operators								
Restaurants								
– Chinese	47,427	30.4	51,926	28.3	25,426	28.9	24,380	26.1
– Non-Chinese	29,110	18.6	37,415	20.4	17,072	19.4	23,409	25.0
– Multi-cuisine	<u>37,316</u>	<u>23.9</u>	<u>45,315</u>	<u>24.7</u>	<u>23,152</u>	<u>26.3</u>	<u>22,947</u>	<u>24.5</u>
	<u>113,853</u>	<u>72.9</u>	<u>134,656</u>	<u>73.4</u>	<u>65,650</u>	<u>74.6</u>	<u>70,736</u>	<u>75.6</u>
Non-commercial dining establishments	12,254	7.8	13,807	7.5	6,367	7.2	6,274	6.7
Hotels and private clubs	<u>7,450</u>	<u>4.8</u>	<u>9,536</u>	<u>5.2</u>	<u>4,003</u>	<u>4.5</u>	<u>4,589</u>	<u>4.9</u>
	<u>133,557</u>	<u>85.5</u>	<u>157,999</u>	<u>86.1</u>	<u>76,020</u>	<u>86.3</u>	<u>81,599</u>	<u>87.2</u>
Food processing operators	14,548	9.3	15,201	8.3	8,266	9.4	8,488	9.1
Others^(Note)	<u>8,106</u>	<u>5.2</u>	<u>10,544</u>	<u>5.6</u>	<u>3,783</u>	<u>4.3</u>	<u>3,496</u>	<u>3.7</u>
Total	<u><u>156,211</u></u>	<u><u>100.0</u></u>	<u><u>183,744</u></u>	<u><u>100.0</u></u>	<u><u>88,069</u></u>	<u><u>100.0</u></u>	<u><u>93,583</u></u>	<u><u>100.0</u></u>

Note: Others mainly include food demonstration organisers and wholesalers.

Among food service operators, our revenue generated from sales to Restaurants accounted for approximately 72.9%, 73.4% and 75.6% of our total revenue for the Track Record Period, respectively, being our largest contributing business segment. The increase in revenue generated from sales to Restaurants during the Track Record Period was mainly because (i) revenue in non-Chinese restaurants increased as a result of acquisition of Eagle Food in July 2015 which was specialised in serving non-Chinese restaurants and (ii) we secured a contract with an expanding non-Chinese restaurant that our sales to this customer increased as it expanded its branch restaurants. During the six months ended 30 September 2016, we secured new customers included a Michelin three-star restaurant. Therefore, revenue from non-Chinese restaurant in portion to our total sales revenue further increased for the six months ended 30 September 2016 compared to the six months ended 30 September 2015.

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Cost of sales

Our cost of sales solely represented cost of inventories sold, which represented the cost of finished goods purchased by us from suppliers. Our cost of sales represents the costs of products, net of discounts and rebates, charged by our suppliers. Our cost of sales amounted to approximately HK\$122.3 million, HK\$141.8 million and HK\$71.6 million for the Track Record Period, respectively.

Gross profit and gross profit margin

We adopted a cost-plus model and our food and beverage grocery products are priced separately for each purchase order. The price of food and beverage grocery products we offer to our customers depends primarily on, among other things, production costs as quoted to us by our suppliers, our Group's expected margins, the type of products, the place of origin of the product brand; the volume of orders, the timing of product delivery and general market conditions. Our gross profit amounted to approximately HK\$33.9 million, HK\$42.0 million and HK\$22.0 million for the Track Record Period, respectively, representing gross profit margin of approximately 21.7%, 22.8% and 23.5%. The continuous increase in the gross profit margins was mainly attributable to our profit sharing scheme that encourage our sales person to achieve a higher gross profit margin as they share the upside directly.

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

<i>Product types</i>	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	Gross Gross profit profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	<i>(unaudited)</i>							
Commodities and cereal products	10,753	22.0	13,233	24.2	6,167	22.7	6,458	23.6
Packaged food	10,844	24.0	12,445	23.6	5,554	23.4	6,203	25.1
Sauce and condiment	5,132	19.4	6,227	19.7	2,971	17.8	3,612	19.2
Dairy products and eggs	4,399	18.7	6,277	22.1	2,881	22.1	3,420	25.0
Beverage and wine	1,876	21.7	2,436	22.0	1,044	20.7	1,396	23.3
Kitchen products	888	25.3	1,337	25.5	585	26.1	867	28.7
	<u>33,892</u>	21.7	<u>41,955</u>	22.8	<u>19,202</u>	21.8	<u>21,956</u>	23.5

Our gross profit for different product types were rather stable during the Track Record Period. During the Track Record Period, the gross profit of commodities and cereal products, packaged food, sauce and condiment, and dairy products and eggs, being the major food and beverage grocery categories, in aggregate, accounting for approximately 91.8%, 91.0% and 89.7%, respectively.

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The table below sets forth the breakdown of our gross profit and gross profit margin by business segments of our customers for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Food service operators								
Restaurants								
– Chinese	10,192	21.5	11,468	22.1	5,274	20.7	5,293	21.7
– Non-Chinese	6,834	23.5	9,388	25.1	4,089	24.0	6,013	25.7
– Multi-cuisine	8,064	21.6	10,655	23.5	5,211	22.5	5,649	24.6
	<u>25,090</u>		<u>31,511</u>		<u>14,574</u>		<u>16,955</u>	
Non-commercial dining establishments	2,877	23.5	3,333	24.1	1,441	22.6	1,566	25.0
Hotels and private clubs	1,545	20.7	1,937	20.3	780	19.5	948	20.7
	<u>29,512</u>		<u>36,781</u>		<u>16,795</u>		<u>19,469</u>	
Food processing operators	2,752	18.9	3,056	20.1	1,532	18.5	1,719	20.3
Others^(Note)	<u>1,628</u>	20.1	<u>2,118</u>	20.1	<u>875</u>	23.1	<u>768</u>	22.0
Total	<u>33,892</u>	21.7	<u>41,955</u>	22.8	<u>19,202</u>	21.8	<u>21,956</u>	23.5

Note: Others mainly include food demonstration organisers and wholesalers.

Among food service operators, our gross profit generated from sales to Restaurants accounted for approximately 74.0%, 75.1% and 77.2% of our total gross profit for the Track Record Period, respectively, being our largest contributing business segment. Our gross profit margin from different business segments to our customers remained relatively stable during the Track Record Period.

Other gain and losses, net

Other gain and losses mainly consists of allowance for bad and doubtful debts and gain on disposal of property, plant and equipment. Our net other gain and losses recorded a loss of approximately HK\$270,000, HK\$81,000 and HK\$242,000 for the Track Record Period, respectively.

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Other income

Other income mainly consists of (i) warehouse storage service income mainly received from Easy Logistics for the year ended 31 March 2015; and (ii) consultancy income received from Eagle Food for the year ended 31 March 2016 before its acquisition to our Group. Our other income amounted to approximately HK\$373,000, HK\$64,000 and nil for the Track Record Period, respectively. Easy Logistics was a former related party to our Group before its disposal by Mr. Wong Siu Man and Mr. Wong Siu Wa on 1 April 2015. Since then, Easy Logistics became an Independent Third Party to our Group. Please refer to the note 28 to the Accountants' Report in Appendix I to this prospectus.

Selling and distribution expenses

Our selling and distribution expenses mainly comprises transportation expenses, commission expenses to sales person based on a certain percentage of the gross profit on successful sales, staff costs for our sales team, advertising and marketing expenses.

The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended 31 March		Six months ended 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Transportation expenses	10,059	12,308	6,298
Commission paid to sales person	1,658	2,712	1,183
Staff costs	1,070	1,664	492
Directors' remuneration	335	452	291
Advertising and marketing expenses	887	700	381
Others	885	917	304
	<u>14,894</u>	<u>18,753</u>	<u>8,949</u>

Our selling and distribution expenses accounted for approximately 9.5%, 10.2% and 9.6% of our total revenue for the Track Record Period, respectively. Included in the transportation expenses, amounts of approximately HK\$9.9 million, HK\$11.7 million and HK\$5.4 million were paid to Easy Logistics, for transportation expenses, respectively for the Track Record Period.

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Administrative expenses

Our administrative expenses primarily comprise rent, rates and management fee for office and warehouses, staff costs for administrative and management personnel, directors' remuneration, depreciation, insurance, auditors' remuneration.

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

	Six months ended		
	Year ended 31 March		30 September
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rent, rates and management fee	2,114	2,947	2,176
Staff costs	2,506	2,119	1,691
Directors' remuneration	1,056	1,056	586
Depreciation	554	916	553
Insurance	168	35	137
Auditor's remuneration	54	200	900
Others ^(Note)	1,329	1,327	1,021
	<u>7,781</u>	<u>8,600</u>	<u>7,064</u>

Note: Others mainly included utilities expenses, printing, postage and stationery expenses and other operating expenses.

Our administrative expenses accounted for approximately 5.0%, 4.7% and 7.5% of total revenue respectively for the Track Record Period. Included in rent, rates and management fees, amounts of approximately HK\$1.9 million, HK\$2.9 million and HK\$2.1 million were rental expenses paid for our warehouses, respectively, during the Track Record Period.

Listing expenses

Listing expenses comprise professional and other expenses in relation to our Listing. Our Listing expenses amounted to approximately HK\$4.3 million for the six months ended 30 September 2016.

Finance costs

Finance costs comprise interest charges on our bank overdraft. Our finance costs amounted to approximately HK\$3,000, nil and nil, respectively, for the Track Record Period.

Income tax expense

Income tax expense represents income tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile. We had no tax payable in tax jurisdiction other than Hong Kong during the Track Record Period.

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For the Track Record Period, our income tax expense were approximately HK\$1.9 million, HK\$2.3 million and HK\$1.0 million, respectively, and our effective tax rate for the same period was approximately 16.5%, 16.1% and 70.4%, respectively. The relatively high effective tax rate for the six months ended 30 September 2016 was mainly due to the effect of non-recurring listing expenses of approximately HK\$4.3 million which is not deductible for tax purpose.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Six months ended 30 September 2016 compared to six months ended 30 September 2015

Revenue

Our revenue increased by approximately HK\$5.5 million or approximately 6.3% to approximately HK\$93.6 million for the six months ended 30 September 2016 as compared to approximately HK\$88.1 million for the six months ended 30 September 2015 mainly due to (i) increased orders from our customers as a result of the increased demand from our customers to cater their business needs; (ii) the increase in revenue contributed by acquisition of Eagle Food in July 2015 primarily from sales to non-Chinese restaurants; and (iii) new customers included a Michelin three – star restaurant secured for the period.

Cost of sales

Our cost of sales increased by approximately HK\$2.8 million or approximately 4.0% to approximately HK\$71.6 million for the six months ended 30 September 2016 as compared to approximately HK\$68.9 million for the six months ended 30 September 2015 which was generally in line with increase in sales.

Gross profit and gross profit margin

Our overall gross profit increased by approximately HK\$2.8 million or approximately 14.3% to approximately HK\$22.0 million for the six months ended 30 September 2016 as compared to approximately HK\$19.2 million for the six months ended 30 September 2015. Our overall gross profit margin also increased from approximately 21.8% for the six months ended 30 September 2015 to approximately 23.5% for the six months ended 30 September 2016. Such increases were mainly attributable to increase in sales to non-Chinese restaurants which commanded higher profit margin.

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Other gain and losses, net

Net other gain and losses increased by approximately HK\$187,000 or 3.4 times to a loss of approximately HK\$242,000 for the six months ended 30 September 2016 as compared to loss of approximately HK\$55,000 for the six months ended 30 September 2015 mainly due to increase in allowance for bad and doubtful debts as a result of a specific provision made in respect of a customer being liquidated.

Other income

Other income decreased by approximately HK\$64,000 or approximately 1 time from approximately HK\$64,000 for the six months ended 30 September 2015 to nil for the six months ended 30 September 2016 mainly due to the decrease in consultancy income which was provided to Eagle Food before its acquisition by our Group in July 2015.

Selling and distribution expenses

Our selling and distribution expenses remained relatively stable at approximately HK\$8.9 million for both the six months ended 30 September 2015 and 2016.

Administrative expenses

Our administrative expenses increased by approximately HK\$3.0 million or approximately 73.6% to approximately HK\$7.1 million for the six months ended 30 September 2016 as compared to approximately HK\$4.1 million for the six months ended 30 September 2015 primarily due to (i) increase in rent, rates and management fee of approximately HK\$1.0 million mainly as a result of the addition of two warehouses from acquisition of Eagle Food and leased from an Independent Third Party by our Group; (ii) renovation expenses of approximately HK\$0.1 million in relation to Hung To Road Warehouse; and (iii) increase in auditors' remuneration of HK\$0.8 million.

Listing expenses

Listing expenses incurred for the six months ended 30 September 2016 amounted to approximately HK\$4.3 million.

Finance costs

We had no finance costs for both the six months ended 30 September 2015 and the six months ended 30 September 2016.

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Income tax expense

Our income tax expense remained relatively stable at approximately HK\$1.0 million for both the six months ended 30 September 2015 and 2016 despite decrease in profit before tax for the period as a result of the effect of listing expenses of approximately HK\$4.3 million which is not deductible for tax purpose. Therefore, our effective tax rate also increased from approximately 16.4% for the six months ended 30 September 2015 to 70.4% for the six months ended 30 September 2016.

Profit for the period

As a result of the foregoing, our profit for the period decreased by approximately HK\$4.8 million or approximately 91.9% from approximately HK\$5.2 million for the six months ended 30 September 2015 to approximately HK\$0.4 million for the six months ended 30 September 2016. Excluding the non – recurring listing expenses of approximately HK\$4.3 million incurred for the six months ended 30 September 2016, our profit and total comprehensive income attributable to owners of our Company would slightly decrease to approximately HK\$4.7 million or by approximately 7.4% as compared to that for the six months ended 30 September 2015 mainly attributable to the increase in our rent, rates and management fees mainly due to the addition of new warehouses for our business expansion.

Profit and total comprehensive income attributable to owners of our Company

We no longer share non-controlling interests in any of our subsidiaries for the six months ended 30 September 2016 as a result of acquisition of 20% of the entire issued equity interest of Ongo Food. Such acquisition was completed on 30 July 2015. Subsequent to this acquisition, Ongo Food has become a wholly-owned subsidiary of our Group. See section “Accountants’ Report – note 26” set out in Appendix I for further details. Our profit and total comprehensive income attributable to owners our Company decreased from approximately HK\$5.1 million for the six months ended 30 September 2015 to approximately HK\$0.4 million for the six months ended 30 September 2016 as a result of the foregoing reasons. Our net profit margin decreased from approximately 5.7% for the six months ended 30 September 2015 to approximately 0.5% for the six months ended 30 September 2016. Excluding the non – recurring listing expenses of approximately HK\$4.3 million incurred for the six months ended 30 September 2016, our profit and total comprehensive income attributable to owners of our Company would slightly decrease to approximately HK\$4.7 million or by approximately 7.4% as compared to that for the six months ended 30 September 2015 whilst our net profit margin would be approximately 5.0% compared to approximately 5.7% for the six months ended 30 September 2015. Such slight decreases were mainly due to the increase in our rent, rates and management fees mainly due to the addition of new warehouses for our business expansion despite increase in sales and gross profit margins aforementioned.

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

Revenue

Our revenue increased by approximately HK\$27.5 million or approximately 17.6% from HK\$156.2 million for the year ended 31 March 2015 to HK\$183.7 million for the year ended 31 March 2016 mainly due to increased orders from our customers as a result of the increased demand from our customers to cater their business needs; and the increase in revenue contributed by acquisition of Eagle Food in July 2015 primarily from sales to non-Chinese restaurants.

Cost of sales

Our cost of sales increased by approximately HK\$19.5 million or approximately 15.9% from approximately HK\$122.3 million for the year ended 31 March 2015 to approximately HK\$141.8 million for the year ended 31 March 2016. Such increase is generally in line with the growth in revenue.

Gross profit and gross profit margin

Our overall gross profit increased by approximately HK\$8.1 million or approximately 23.8% from approximately HK\$33.9 million for the year ended 31 March 2015 to HK\$42.0 million for the year ended 31 March 2016 which was generally in line with the increase in revenue for the same period. Our overall gross profit margin slightly increased from approximately 21.7% for the year ended 31 March 2015 to approximately 22.8% for the year ended 31 March 2016, mainly due to increase in sales to non-Chinese restaurants which commanded higher profit margin.

Other gain and losses, net

Net other gain and losses decreased by approximately HK\$0.2 million or approximately 70.0% from a loss of approximately HK\$0.3 million for the year ended 31 March 2015 to a loss of approximately HK\$0.1 million for the year ended 31 March 2016 was mainly due to decrease in allowance for bad and doubtful debts as a result of improved recovery of trade receivables.

Other income

Other income decreased by approximately HK\$0.3 million or approximately 82.8% from approximately HK\$0.4 million for the year ended 31 March 2015 to approximately HK\$0.1 million for the year ended 31 March 2016. The decrease was mainly due to decrease in warehouse storage fee income as a result of termination of warehouse storage arrangement with our former related party, Easy Logistics, which become an Independent Third Party since 1 April 2015 upon disposal by our Controlling Shareholder, partially offset by increase in consultancy income which was provided to Eagle Food for purchase and warehouse management before its acquisition by our Group.

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Selling and distribution expenses

Selling and distribution expenses increased by approximately HK\$3.9 million or approximately 25.9% from approximately HK\$14.9 million for the year ended 31 March 2015 to approximately HK\$18.8 million for the year ended 31 March 2016, which was mainly attributable to: (i) increase in transportation expenses and commission paid to staffs which was generally in line with growth in sales; (ii) increase in staff costs mainly due to increase in headcount of sales people as a result of acquisition of Eagle Food.

Administrative expenses

Our administrative expenses increased by approximately HK\$0.8 million or approximately 10.5% from approximately HK\$7.8 million for the year ended 31 March 2015 to approximately HK\$8.6 million for the year ended 31 March 2016. The increase was primarily due to increase in rent, rates and management fee of approximately HK\$0.8 million mainly due to the addition of the warehouse from acquisition of Eagle Food and was partially offset by decrease in staff cost of approximately HK\$0.4 million due to decrease in headcounts.

Finance costs

Our finance costs decreased by approximately HK\$3,000 or approximately 1 time from approximately HK\$3,000 for the year ended 31 March 2015 to nil for the year ended 31 March 2016. The decrease was mainly due to no bank overdraft incurred for the year ended 31 March 2016.

Income tax expense

Our income tax expense increased by approximately HK\$0.5 million or approximately 25.5% from approximately HK\$1.9 million for the year ended 31 March 2015 to approximately HK\$2.3 million for the year ended 31 March 2016. The increase was mainly due to increase in profit before taxation. Our effective tax rate remained stable at approximately 16.5% and 16.1% for the years ended 31 March 2015 and 2016 respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately HK\$2.8 million or approximately 29.5% from approximately HK\$9.5 million for the year ended 31 March 2015 to approximately HK\$12.2 million for the year ended 31 March 2016.

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Profit and total comprehensive income attributable to owners of our company

Our profit and total comprehensive income attributable to owners our Company increased from approximately HK\$9.0 million for the year ended 31 March 2015 to approximately HK\$12.1 million for the year ended 31 March 2016 as a result of the foregoing reasons. Our net profit margin increased from approximately 5.8% for the year ended 31 March 2015 to approximately 6.6% for the year ended 31 March 2016 which was mainly due to improvement in sales and gross profit margin aforementioned and the increased share of net profit of Ongo Food, which has become our Group's wholly owned subsidiary as a result of the completion of acquisition of its 20.0% entire issued equity interest in July 2015.

LIQUIDITY AND CAPITAL RESOURCES

Our use of cash primarily related to operating activities and capital expenditure. We have historically financed our operations primarily through a combination of cash flow generated from our operation and capital contribution from our Shareholders and Pre-IPO Investments.

In managing our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of unexpected fluctuations in cash flows, sufficient bank and cash balance. Our Group has built an appropriate liquidity risk management framework for the management of its short, medium and long-term funding and liquidity management requirements. We regularly monitor the repayment dates of financial liabilities, including trade payables, other payables and accrued charges, etc to match with financial resources available to us from time to time. Our Group manages liquidity risk by maintaining adequate financial resources, including existing cash and bank balances, operating cash flows and banking facilities.

We currently expect that there will not be any material change in the sources and uses of cash of our Group, except that we would have additional funds from proceeds of the Share Offer and bank borrowing for implementing our future plans as detailed under the section headed "Statement of Business Objectives and Use of Proceeds" in this prospectus.

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Cash flow

The following table sets forth a summary of our consolidated cash flows for the periods indicated:

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Net cash (used in) from operating activities	(1,731)	(4,192)	3,275	2,996
Net cash from (used in) investing activities	11,908	14,272	5,058	(769)
Net cash (used in) from financing activities	<u>(11,000)</u>	<u>(5,075)</u>	<u>(2,670)</u>	<u>4,717</u>
Net (decrease) increase in cash and cash equivalents	(823)	5,005	5,663	6,944
Cash and cash equivalents at beginning of year/period	<u>1,744</u>	<u>921</u>	<u>921</u>	<u>5,926</u>
Cash and cash equivalents at end of year/period	<u><u>921</u></u>	<u><u>5,926</u></u>	<u><u>6,584</u></u>	<u><u>12,870</u></u>

We generated net cash outflow of approximately HK\$0.8 million, net cash inflow of approximately HK\$5.0 million and net cash inflow of approximately HK\$6.9 million for the Track Record Period, respectively, while we used net cash for operating activities of approximately HK\$1.7 million, HK\$4.2 million and generated net cash from operating activities of HK\$3.0 million for the respective year/period. The net cash outflow from operating activities for the two years ended 31 March 2016, despite profit before taxation of HK\$11.3 million and HK\$14.6 million generated respectively, was mainly attributable to the arrangement of collecting certain of our trade receivables by our related company during the year.

“Hung Fat Ho” partnership

As disclosed in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, the original “Hung Fat Ho” continued its grocery business until 1998, then Mr. Wong Siu Man and Mr. Wong Siu Wa took over the business and operated the business as a partnership under the business name of “Hung Fat Ho”, which is an unlimited partnership established in Hong Kong equally owned by Mr. Wong Siu Man and Mr. Wong Siu Wa.

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Mr. Wong Siu Man and Mr. Wong Siu Wa subsequently used their own savings as funding to establish HFH Food in November 2005, which commenced distribution of food and beverage grocery products. Since the incorporation of HFH Food in 2005, HFH Food and other members of our Group gradually took over the business operations of the “Hung Fat Ho” partnership.

Cessation of business operation and the Payment Practice

During the Track Record Period and up to August 2016, the “Hung Fat Ho” partnership ceased to carry out any business and did not hire any employee. However, as the “Hung Fat Ho” partnership did not hire any employee and did not have any business operations, our Group merely used the “Hung Fat Ho” partnership to receive settlements of our receivables from some of our customers on our Group’s behalf which comprised Non-commercial dining establishments (including canteens in schools, hospitals as well as elderly caring centres), Chinese restaurants, non-Chinese restaurants, hotels and private clubs and food processing operators who purchased from the “Hung Fat Ho” partnership before HFH Food commenced distribution of food and beverage groceries for these establishments. These customers were notified that the “Hung Fat Ho” partnership would be dissolved in August 2016 as part of our Group’s Reorganisation.

Due to our effort in persuading our customers to cease the payment practice (the “**Payment Practice**”) during the two financial years ended 31 March 2016 and up to August 2016 (i.e. upon the dissolution of the “Hung Fat Ho” partnership), the number of customers under the Payment Practice decreased from 40 for the financial year ended 31 March 2015 to 13 for the five months ended 31 August 2016. Sales to such customers with the Payment Practice during the Track Record Period amounted to approximately HK\$7.2 million, HK\$11.8 million and HK\$2.1 million and accounted for, in aggregate, approximately 4.6%, 6.4%, 2.2% of our Group’s total sales revenue for the same period, respectively.

For the purpose of the Listing and in view of the dormant status of “Hung Fat Ho” partnership, Mr. Wong Siu Man and Mr. Wong Siu Wa decided to dissolve the “Hung Fat Ho” partnership and the Payment Practice therefore ceased accordingly. We reiterated to these customers that should they not agree to cease the Payment Practice, we would not continue to conduct business with them anymore. Therefore, these customers under the Payment Practice finally agreed to terminate the Payment Practice. As a result, 11 out of 13 customers under the Payment Practice during the five months ended 31 August 2016 continued to order products from us without using the Payment Practice after the dissolution of the “Hung Fat Ho” partnership and up to the Latest Practicable Date.

Other than the Payment Practice and the remittance of those funds back to our Group, our Directors confirmed that there were no other transactions between the Group and the “Hung Fat Ho” partnership, no overlapping of customers, suppliers or employees, and no sharing of resources between our Group and the “Hung Fat Ho” partnership during the Track Record Period and up to August 2016.

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Amounts deposited into the “Hung Fat Ho” partnership’s bank account were generally made by direct deposit or cheque from our customers. Once we noticed about the deposits, our accounting department would reconcile the amounts with the respective invoices and such reconciled amounts would be recorded as settlement of our trade receivables and funds advanced to “Hung Fat Ho” partnership in the books and records of HFH Food. The bank account of “Hung Fat Ho” partnership was checked by our accounting department from time to time. As the remittances of settlements from “Hung Fat Ho” partnership to us were performed on an as-needed basis, there was settlement lead time and the settlement amounts were accounted for as receipts from related companies in our investing activities during the Track Record Period. To ensure the accuracy and completeness of our Group’s accounting books and records, we have put in place certain internal control policies. Please refer to the section headed “Business – Internal control and risk management measures” in this prospectus for further details of such internal control policies.

For the purpose of the Listing, the “Hung Fat Ho” partnership was dissolved on 10 August 2016. Therefore, the Payment Practice was terminated and our customers under the Payment Practice have already settled their purchases with our Group by depositing into the bank accounts of our Group. As at 31 March 2015, 31 March 2016 and 30 September 2016, the total amount collected by the “Hung Fat Ho” partnership but pending remittance by the “Hung Fat Ho” partnership to our Group was approximately HK\$0.5 million, HK\$1.0 million and nil, respectively. All the balances of “Hung Fat Ho” partnership’s bank account were fully remitted into the bank accounts of our Group since August 2016.

For the Track Record Period, the amounts received from “Hung Fat Ho” partnership was approximately HK\$6.3 million, HK\$13.8 million and HK\$1.7 million, respectively. For illustrative purposes only, had such amount been collected from our customers by our Group directly, we would record net cash inflows generated from operating activities of approximately HK\$4.6 million, HK\$9.6 million and HK\$4.7 million for the financial year ended 31 March 2015 and 2016 and the six months ended 30 September 2016, respectively. Thus, our Directors are of the view that we would be able to meet the working capital requirements for at least 12 months from the date of the prospectus as we generated positive operating cashflows to meet short term liabilities.

Operating activities

Net cash generated from or used in operating activities comprises profit before taxation adjusted for non-cash items, such as depreciation, gain on disposal/written cost of property, plant and equipment and allowance for bad and doubtful debts, and adjusted for the change in working capital. During our Track Record Period, our cash flow from operating activities was principally from profit before taxation. Our cash used in operating activities was principally for purchases of inventories and increase in trade receivables, other receivable, deposits and prepayments.

For the six months ended 30 September 2016, our net cash generated from operating activities of approximately HK\$3.0 million was a consolidated result of operating cash inflow before changes in working capital of approximately HK\$2.2 million and change in working

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capital of approximately HK\$0.8 million. Change in working capital primarily reflected increase in other receivable, deposits and repayments mainly due to increase in prepayments to suppliers for purchase of sourced products from overseas and increase in inventories purchased, partially offset by increase in other payables and accrued charges.

For the year ended 31 March 2016, our net cash used in operating activities of approximately HK\$4.2 million was a consolidated result of operating cash inflow before changes in working capital of approximately HK\$15.6 million, income tax paid of approximately HK\$2.9 million and change in working capital of approximately HK\$16.9 million. Change in working capital primarily reflected increase in trade receivables and increase in other receivables, deposits and repayments.

For the year ended 31 March 2015, our net cash used in operating activities of approximately HK\$1.7 million was a consolidated result of operating cash inflow before changes in working capital of approximately HK\$12.1 million, income tax paid of approximately HK\$1.1 million and change in working capital of approximately HK\$12.8 million. Change in working capital primarily reflected increase of inventories and increase in trade receivables, offset by increase in trade payables and other payables and accruals.

Investing activities

For the six months ended 30 September 2016, our net cash used in investing activities of approximately HK\$0.8 million primarily reflected the purchase of property, plant and equipment of approximately HK\$2.1 million mainly for addition of Hung To Road Warehouse

For the year ended 31 March 2016, our net cash from investing activities of HK\$14.3 million primarily reflected receipts from related companies of approximately HK\$14.4 million and cash acquired from acquisition of Eagle Food of HK\$0.4 million, offset by advances to related companies of approximately HK\$0.3 million.

For the year ended 31 March 2015, our net cash generated from investing activities of approximately HK\$11.9 million primarily reflected receipts from related companies of approximately HK\$12.9 million, offset by the purchase of property, plant and equipment of approximately HK\$0.8 million mainly for Warehouse A, and advance to related companies of approximately HK\$0.3 million.

Financing activities

For the six months ended 30 September 2016, our net cash from financing activities of approximately HK\$4.7 million primarily reflected gross proceeds received from issuance of shares of approximately HK\$6.0 million and capital injection from a shareholder of approximately HK\$2.0 million partially offset by repayment to directors of approximately HK\$2.3 million and payment of dividends of approximately HK\$0.7 million.

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For the year ended 31 March 2016, our net cash used in financing activities of approximately HK\$5.1 million primarily reflected repayment to directors of approximately HK\$1.2 million and payment of dividends of approximately HK\$4.9 million, partially offset by advance from directors of approximately HK\$0.9 million.

For the year ended 31 March 2015, our net cash used in financing activities of approximately HK\$11.0 million primarily reflected repayment to directors of approximately HK\$5.9 million and payment of dividends of approximately HK\$6.6 million, partially offset by advance from directors of approximately HK\$1.5 million.

Net current assets

We recorded net current assets of HK\$18.3 million, HK\$25.9 million, HK\$30.9 million and HK\$29.8 million as at 31 March 2015 and 2016, 30 September 2016 and 31 January 2017, respectively. The table below sets forth our current assets and current liabilities as of the dates indicated:

	As at 31 March		As at 30 September 2016	As at 31 January 2017
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 <i>(unaudited)</i>
Current assets				
Inventories – finished goods	7,463	7,675	9,136	10,413
Finance lease receivable	63	63	63	63
Trade receivables	17,162	20,655	20,243	23,899
Other receivable, deposits and prepayments	297	1,078	2,348	4,313
Amounts due from related companies	1,088	982	–	–
Tax recoverable	–	–	–	392
Bank balances and cash	921	5,926	12,870	8,804
	26,994	36,379	44,660	47,884
Current liabilities				
Trade payables	5,459	5,914	6,566	5,742
Other payables and accrued charges	1,061	1,372	5,654	9,524
Amounts due to directors	1,165	2,343	–	–
Consideration payables	–	360	–	–
Tax payables	1,002	477	1,492	37
Bank borrowing	–	–	–	2,759
	8,687	10,466	13,712	18,062
Net current assets	18,307	25,913	30,948	29,822

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Our net current assets increased from approximately HK\$18.3 million as at 31 March 2015 to approximately HK\$25.9 million as at 31 March 2016. The increase was primarily due to (i) increase in bank balances and cash of approximately HK\$5.0 million; (ii) increase in trade receivables of approximately HK\$3.5 million which is in line with the increase in revenue; and (iii) increase in other receivables, deposits and prepayments of approximately HK\$0.8 million.

Our net current assets further increased to approximately HK\$30.9 million as at 30 September 2016. The increase was primarily due to increase in bank balances and cash of approximately HK\$6.9 million from issuance of shares, partially offset by increase in other payables and accrued charges of approximately HK\$4.3 million.

Based on our unaudited consolidated financial statements as at 31 January 2017, our net current assets decreased to approximately HK\$29.8 million as at 31 January 2017 mainly because of the increase in bank borrowing of approximately HK\$2.8 million drawn down in November 2016.

Working capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including anticipated cash flow from our operating activities, available banking facilities, existing cash and cash equivalents and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories principally comprise finished goods of (i) commodities and cereal products; (ii) packaged food; (iii) sauce and condiment; (iv) dairy products and eggs; (v) beverage and wine; and (vi) kitchen products. The balance of our inventories amounted to HK\$7.5 million, HK\$7.7 million and HK\$9.1 million as at 31 March 2015 and 2016 and 30 September 2016, respectively, which was relatively stable.

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We regularly review our inventory levels for slow moving inventory, obsolescence or declines in market value. Allowance is made against when the net realisable value, which is based primarily of the latest market price estimated by the management, of inventories falls below the cost or any of the inventories is identified obsolete. During the Track Record Period, no provision for impairment of inventories was recorded. The following table sets forth the turnover days of our inventories for the periods indicated.

	Year ended 31 March		Six months ended
	2015	2016	30 September 2016
Inventory turnover days ⁽¹⁾	<u>15</u>	<u>19</u>	<u>21</u>

Note:

- Inventory turnover days is calculated using the average balance of inventory divided by the cost of sales for the relevant period and multiplied by 365/183 days in the relevant year/period. Average balance of inventory is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

Our inventory turnover days increased from 15 days for the year ended 31 March 2015 to 19 days for the year ended 31 March 2016 and further to 21 days for the six months ended 30 September 2016 which was mainly due to increased amount of purchase of products from overseas. Due to shipment time and cost efficiency, we usually order and stock up inventories to meet sales for three months for foreign products, which was relatively longer than other products from Hong Kong.

As at 31 January 2017, 100% of our inventories as at 30 September 2016 had been sold.

Finance lease receivable

During the Track Record Period, a motor vehicle of our Group is leased out to Easy Logistics under finance lease arrangement we entered into in May 2013. The interest rate inherent in the lease is fixed at the contract date over the lease term from September 2013 to August 2018.

	As at 31 March		As at
	2015	2016	30 September 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Presented as non-current asset	166	87	55
Presented as current asset	<u>63</u>	<u>63</u>	<u>63</u>
	<u>229</u>	<u>150</u>	<u>118</u>

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The finance lease receivables decreased from approximately HK\$229,000 as at 31 March 2015 to approximately HK\$150,000 as at 31 March 2016 and further decreased to approximately HK\$118,000 as at 30 September 2016 mainly due to instalments received of such finance lease receivables. We do not have any other finance lease arrangements during the Track Record Period.

Trade receivables

The following table sets forth the components of our trade and other receivables as of the dates indicated:

	As at 31 March		As at 30 September
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<u>17,162</u>	<u>20,655</u>	<u>20,243</u>

Our trade receivables primarily relate to receivables for our products sold to our customers. Our trade receivables increased from approximately HK\$17.2 million as at 31 March 2015 to approximately HK\$20.7 million as at 31 March 2016 which was in line with the increase in our sales. The amount then remained relatively stable at approximately HK\$20.2 million as at 30 September 2016.

During the Track Record Period, we conducted our sales by (i) cash/cheque on delivery; and (ii) credit sales. Before accepting any new customer, our Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. We generally granted a period of 0 to 90 days from the month end of date of invoice for our major customers. We seek to maintain strict control over our outstanding receivables to minimise the credit risk. We typically do not require any collateral as security.

The following table sets forth the ageing analysis (based on dates of sales) of our gross trade receivables due from third parties, as at the dates indicated:

	As at 31 March		As at 30 September
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	10,514	13,488	12,520
31-60 days	5,784	5,879	6,372
61-90 days	626	890	931
Over 90 days	<u>238</u>	<u>398</u>	<u>420</u>
Total	<u>17,162</u>	<u>20,655</u>	<u>20,243</u>

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Our policy for impairment on trade receivables due from third parties is based on an evaluation of collectability and ageing analysis of the receivables that requires the use of judgement and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. We closely review the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we have made provisions for the impairment of certain overdue trade receivables in order to ensure the quality of our assets. We did not experience any material payment defaults from our customers during the Track Record Period. We have recognised allowance for doubtful debts of HK\$270,000, HK\$91,000 and HK\$242,000 for the Track Record Period, respectively, which were individually impaired trade receivables as debtors have been liquidated. Such amounts were fully written off as uncollectible in the respective years/period. Included in our trade receivables were debtors with aggregate carrying amount of HK\$114,000, HK\$106,000 and HK\$54,000 which are past due within 90 days and HK\$238,000, HK\$398,000 and HK\$420,000 which are past due over 90 days as at 31 March 2015 and 2016 and 30 September 2016, respectively, for which we have not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable.

The table below sets forth our turnover days of trade receivables as at the dates indicated:

	Year ended 31 March		Six months ended
	2015	2016	30 September 2016
Turnover days of trade receivables ^(Note)	<u>35</u>	<u>38</u>	<u>40</u>

Note: Turnover days of trade receivables is calculated using the average balance of trade receivables divided by total sale for the relevant period and multiplied by 365/183 days in the relevant period. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

Our trade receivable turnover days were approximately 35 days, 38 days and 40 days, respectively for the Track Record Period. If excluding the amount of cash sales incurred by our Group, our trade receivables turnover days were revised to approximately 44 days, 46 days and 50 days, respectively for the Track Record Period which is generally in line with our credit terms granted to our customers.

As at 31 January 2017, approximately 99.0% of our trade receivables outstanding as at 30 September 2016 were settled.

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Other receivable, deposits and prepayments

Our deposits and prepayments mainly comprise rental and utilities deposits, prepayments to suppliers and prepayments for maintenance and insurance services. The following sets forth a breakdown on our other receivable, deposits and prepayments as at the dates indicated:

	As at 31 March		As at 30 September
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current portion			
Rental and utilities deposits	505	764	1,654
Current portion			
Rental and utilities deposits	32	2	31
Prepayments to suppliers	265	841	502
Prepayments	–	215	392
Deferred listing expenses	–	–	1,393
Other receivables	–	20	30
	297	1,078	2,348
Total	802	1,842	4,002

Our other receivable, deposits and prepayments increased from approximately HK\$0.8 million as at 31 March 2015 to approximately HK\$1.8 million as at 31 March 2016, which was mainly due to increase in advances to suppliers of approximately HK\$0.6 million as a result of increase in purchase of sourced products from Italy and Turkey which required more advance to be paid. Our other receivable, deposits and prepayments increased to approximately HK\$4.0 million as at 30 September 2016 which was mainly due to (i) deferred listing expenses of approximately HK\$1.4 million; and (ii) increase in rental and utilities deposits of approximately HK\$0.9 million mainly as a result of addition of rental deposit for our Hung To Road Warehouse of approximately HK\$0.7 million in June 2016.

Amounts due from related companies/to directors

Our amounts due from related companies amounted to approximately approximately HK\$1.1 million, HK\$1.0 million and nil as at 31 March 2015 and 2016 and 30 September 2016, respectively. The amounts mainly arose from advances to our related companies.

Included in the amount was amounts due from Easy Logistics amounted to approximately HK\$537,000, nil and nil as at 31 March 2015 and 2016 and 30 September 2016, respectively.

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Our amounts due to directors amounted to approximately approximately HK\$1.2 million, HK\$2.3 million and nil as at 31 March 2015 and 2016 and 30 September 2016, respectively. The amounts represented the amounts due to Mr. Wong Siu Man and Mr. Wong Siu Wa.

All our amounts due from related companies/to a director were unsecured, interest-free, had no fixed terms of repayment and are non-trade in nature. All the amounts due from related companies/to directors were settled as at 30 September 2016.

Trade payables

The following table sets forth the components of our trade and other payables as at the dates indicated:

	As at 31 March		As at
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
			<i>HK\$'000</i>
Trade payables	<u>5,459</u>	<u>5,914</u>	<u>6,566</u>

Our trade payables primarily consist of balances related to our suppliers for purchases of our food and beverage. Our trade payables increased from approximately HK\$5.5 million as at 31 March 2015 to approximately HK\$5.9 million as at 31 March 2016, and further to approximately HK\$6.6 million as at 30 September 2016, which was mainly due to increase in purchase which was in line with our increase in expected sales.

Our suppliers generally offer us trade credit periods from 0 to 60 days. The table below sets forth, as of the end of reporting periods indicated, the ageing analysis of our trade payables (based on invoice date):

	As at 31 March		As at
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
			<i>HK\$'000</i>
0-30 days	4,490	5,584	6,518
31-60 days	<u>969</u>	<u>330</u>	<u>48</u>
Total	<u>5,459</u>	<u>5,914</u>	<u>6,566</u>

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The following table sets out our turnover days of trade payables for the periods indicated:

	Year ended 31 March		Six months ended
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover days of trade payables ^(Note)	13	15	16

Note: Turnover days of trade payables is calculated using the average balance of trade payables divided by cost of sales for the relevant period and multiplied by 365/183 days in the relevant period. Average balance of trade payables is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

Our trade payable turnover days remained relatively stable at 13 days, 15 days and 16 days, respectively for the Track Record Period.

As at 31 January 2017, 100% of our trade payables outstanding as at 30 September 2016 had been fully settled.

Other payables and accrued charges

Our other payables and accrued charges mainly comprised accrued charges for audit fee and transportation fee, salaries payables and others which mainly included deposits received in advance from customers for their future purchase. The following sets forth a breakdown on our other payables and accrued charges as at the dates indicated:

	As at 31 March		As at
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued charges	485	355	4,248
Salaries and bonus payables	368	881	1,057
Other payables	208	136	349
	1,061	1,372	5,654

Other payables and accrued charges increased from approximately HK\$1.1 million as at 31 March 2015 to approximately HK\$1.4 million as at 31 March 2016, which was mainly attributable to increase in salaries payables as a result of increase in staff number, salary and sales commission paid. Other payables and accrued charges then further increased to approximately HK\$5.7 million as at 30 September 2016, mainly attributable to increase in

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accrued charges and other payables mainly as a result of i) accrued audit fee of HK\$0.9 million, ii) accrued listing expenses of HK\$2.4 million, iii) accrued transportation expenses of HK\$0.5 million; and iv) reinstatement cost of approximately HK\$0.1 million.

Consideration payables

The consideration payables amounted to approximately HK\$0.4 million as at 31 March 2016, which was derived from the acquisition of 20.0% of the entire issued equity interest of Ongo Food pursuant to the sale and purchase agreements and supplementary agreements we entered into with two non-controlling shareholders of Ongo Food on 30 July 2015. Such consideration payables represented a deferred consideration payable of approximately HK\$0.4 million which was payable by the end of September 2016. The deferred consideration payable was subsequently settled on 30 September 2016. Subsequent to this acquisition, Ongo Food has become a wholly-owned subsidiary of our Group. This acquisition was completed on 30 July 2015. See “Accountants’ Report – note 26” set out in Appendix I for further details.

CAPITAL EXPENDITURE AND COMMITMENT

Capital expenditure

Our capital expenditures for the Track Record Period were approximately HK\$0.8 million, HK\$0.2 million and HK\$2.1 million, respectively, which primarily related to leasehold improvements for our office and warehouses. We have financed our capital expenditure primarily through cash flow generated from operating activities. We expect the capital expenditure for the two years ending 31 March 2017 and 2018 to be approximately HK\$2.0 million and HK\$19.3 million mainly for establishment of warehouse and ERP system, respectively.

Operating lease commitments

As at the end of the reporting periods during the Track Record Period, we had commitments for future minimum lease payments in respect of office premises and warehouses under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
Within one year	1,896	3,031	4,906
In the second to fifth year inclusive	2,718	1,535	3,936
	<u>4,614</u>	<u>4,566</u>	<u>8,842</u>

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Capital commitments

As at the end of the reporting periods during the Track Record Period, our Group had no capital commitments which were not provided for in our consolidated financial information.

PROPERTY INTERESTS

Our Directors confirm that, as at 30 September 2016, there were no circumstances that would give rise to a disclosure requirement under Rules 8.01 to 8.36 of the GEM Listing Rules. As at 30 September 2016, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

INDEBTEDNESS

As at 31 March 2015, 31 March 2016, 30 September 2016 and 31 January 2017, being the latest practicable date for the purpose of the indebtedness statements, we have outstanding bank borrowings of nil, nil, nil and approximately HK\$2.8 million, respectively.

As at 31 January 2017, being the latest practicable date for the purpose of the indebtedness statement, we have banking facilities of approximately HK\$3.0 million, which were unsecured and under the unlimited guarantees provided by Mr. Wong Siu Man and Mr. Wong Siu Wa, and was fully utilised as at 31 January 2017. The guarantee will be released before Listing.

Contingent liabilities and guarantee

As at 31 March 2015 and 2016, 30 September 2016 and 31 January 2017, settlement guarantee of approximately HK\$420,000, HK\$420,000, HK\$420,000 and HK\$420,000 respectively were given by a bank in favour of our Group's supplier. If our Group fails to settle the trade payables to the supplier, such supplier may demand the bank to pay to it the sum or sum stipulated in such demand. Our Group will become liable to compensate the bank accordingly. The settlement guarantee will be released only if (i) our Group settles all the trade payables outstanding to the supplier and (ii) submits a request to cancel the settlement guarantee to the bank. The settlement guarantee was granted under the banking facility.

As at 31 January 2017, being the latest practicable date for the purpose of the indebtedness statement, save as aforesaid and apart from intra-group liabilities, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

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RELATED PARTY TRANSACTIONS

Easy Logistics, a company incorporated in Hong Kong with limited liability on 26 May 2011, was owned as to 70% in aggregate by Mr. Wong Siu Man and Mr. Wong Siu Wa and 30% by three Independent Third Parties (the “**Former EL Shareholders**”) who were employees of HFH Food at the time of inception of Easy Logistics. Other than being the former employees of HFH Food and the shareholders of Easy Logistics at that time, none of the Former EL Shareholders has had any past or present relationship with any member of our Group, our Shareholders, our Directors or any of their respective close associate. During the year ended 31 March 2015, Easy Logistics principally employed external logistics services providers to provide transportation and delivery services to our Group.

Easy Logistics recorded net losses of approximately HK\$266,000 and HK\$411,000 for the two years ended 31 March 2014 and 2015, respectively. Due to the intensive competition in the transportation and logistics services sector in Hong Kong, on 1 April 2015, Mr. Wong Sin Man and Mr. Wong Siu Wa disposed of the transportation and logistics services business operated by Easy Logistics through the transfer of their entire 70% interests in Easy Logistics (the “**Disposal**”) to the external logistics service providers previously engaged by Easy Logistics who are Independent Third Parties (the “**New EL Shareholders**”) for a consideration of HK\$3.00. The consideration of the Disposal was determined after arm’s length negotiations between Mr. Wong Siu Man, Mr. Wong Siu Wa and the New EL Shareholders with reference to the net liabilities of Easy Logistics of approximately HK\$0.8 million as at 31 March 2015. Other than being the logistics services provider of Easy Logistics prior to the Disposal, none of the New EL Shareholders has had any past or present relationship with any member of our Group, our Shareholders, our Directors or any of their respective close associate.

Following the completion of the Disposal, Easy Logistics changed its business model and principally provided logistics services by their own team. Our Directors believe that it is more efficient and cost effective to outsource our Group’s transportation and delivery services to Easy Logistics as Easy Logistics is specialised in handling and distributing groceries in Hong Kong. Further, as we have engaged Easy Logistics as our logistics services provider since 2013 and the employees of Easy Logistics are familiar with the entire operational process of our Group through years of collaboration, our established cooperation has effectively reduced the time required for briefing on specific tasks and facilitated our daily handling of large number of orders. Other than our Group, Easy Logistics also provided logistics services to other customers as at the Latest Practicable Date.

Prior to the Disposal, a finance lease agreement was entered into between our Group and Easy Logistics in May 2013 for leasing our Group’s cargo vehicle to Easy Logistics. Given the Disposal being the disposal of Easy Logistics’ transportation and logistics business from Mr. Wong Siu Man and Mr. Wong Siu Wa to the New EL Shareholders only, after arm’s-length negotiations, our Group and the New EL Shareholders continued such finance lease agreement on under which our Group leased our cargo vehicle to Easy Logistics for the purpose of better utilizing our fixed asset and providing an additional source of revenue to our Group. According to the F&S Report, finance lease arrangements involving the lease of cargo vehicles between logistics service providers and their customers are not uncommon. Therefore, our Directors consider that such finance lease arrangement was in the interests of our Company and our Shareholders as a whole.

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Mr. Wong Siu Man and Mr. Wong Siu Wa consider that the Disposal enabled them to reallocate more resources for and direct their focus on the Group's core business of food and beverage grocery distribution in which we have competitive advantage and core competencies, and to improve our financial performance as a whole. As it is more cost-efficient to engage other external logistics service providers for our product delivery, starting from 2016, our Group has engaged not only Easy Logistics but also additional logistic services providers. Our Group plans to diversify the providers of logistic services to lower our transportation cost, thereby enhancing the overall cost competitiveness of our Group.

Our Directors confirm that the principal terms of the transportation and delivery services offered by Easy Logistics (including the pricing terms and credit period) to our Group during the Track Record Period were comparable to and not less favourable to those offered by other Independent Third Party logistics providers to our Group for similar transportation and delivery services. As such, our Directors are of the view that the transportation and delivery transactions were conducted in the ordinary and usual course of business and on normal commercial terms after arm's length negotiations.

For details of related party transactions, see note 28 to the Accountants' Report in Appendix I to the prospectus. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on normal commercial terms. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results non-reflective in the Track Record Period.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	Year ended 31 March		Six months ended 30 September
	2015	2016	2016
Gross Profit Margin (%) ⁽¹⁾	21.7	22.8	23.5
Net Profit Margin (%) ⁽²⁾	5.8	6.6	0.5
Return on equity (%) ⁽³⁾	44.7	42.7	2.4
Return on total assets (%) ⁽⁴⁾	30.7	31.1	1.7
Current ratio ⁽⁵⁾	3.1	3.5	3.3
Quick ratio ⁽⁶⁾	2.2	2.7	2.6
Gearing ratio (%) ⁽⁷⁾	N/A	N/A	N/A
Net debt to equity ratio ⁽⁸⁾	N/A	N/A	N/A

For illustrative purpose:

Adjusted net profit margin (%) ^(Note 9 & 12)	5.0
Adjusted return on equity (%) ^(Note 9 & 10)	26.2
Adjusted return on total assets (%) ^(Note 9 & 11)	18.9

Notes:

- Gross profit margin for each of the Track Record Period was calculated on gross profit divided by revenue for the respective period. Please refer to the paragraphs headed "Review of Historical Results of Operations" in this section for more details on our gross profit margins.

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2. Net profit margin for each of the Track Record Period was calculated on net profit attributable to the owners of the Company divided by revenue for the respective period. Please refer to the paragraphs headed "Review of Historical Results of Operations" in this section for more details on our net profit margins.
3. Return on equity is calculated by dividing profit for the year attributable to owners of the Company (or the annualised profit, for the six months ended 30 September 2016) by equity attributable to owners of the respective year/period and multiplying the resulting value by 100%.
4. Return on assets is calculated by dividing profit for the year attributable to the owners of the Company (or the annualised profit, for the six months ended 30 September 2016) by total assets of the respective year/period and multiplying the resulting value by 100%.
5. Current ratio is calculated as the total current assets divided by the total current liabilities.
6. Quick ratio is calculated as total current assets less inventories and divided by total current liabilities.
7. Gearing ratio is calculated as the total debt divided by total equity and multiplied by 100%.
8. Net debt to equity ratios is calculated as total borrowings net of cash and cash equivalents and restricted cash, and divided by total equity and multiplied by 100%.
9. Adjusted net profit is used in the calculation of certain ratios for the six months ended 30 September 2016. It is calculated by excluding the non-recurring listing expenses of approximately HK\$4.3 million incurred for the six months ended 30 September 2016 from net profit attributable to owners of the Company for that period.
10. Adjusted return on equity equals annualised adjusted net profit attributable to the owners of the Company for the period divided by total equity as at the end of the period.
11. Adjusted return on total assets equals annualised adjusted net profit attributable to the owners of the Company for the period divided by total assets as at the end of the period.

Return on equity

Our return on equity decreased from approximately 44.7% for the year ended 31 March 2015 to approximately 42.7% for the year ended 31 March 2016, primarily due to increase in net profit attributable to owners of the Company and the decrease in dividend for the year ended 31 March 2016. Our return on equity decreased to approximately 2.4% for the six months ended 30 September 2016. Excluding the non-recurring listing expenses of approximately HK\$4.3 million incurred for the six months ended 30 September 2016, our return in equity would be approximately 26.2% mainly attributable to (i) the increase in our rent, rates and management fees mainly due to the addition of new warehouses for our business expansion; and (ii) increase in total equity attributable to our Company due to profit accumulation and issuance of shares with premium. Which has offset by the decrease in dividend for the six months ended 30 September 2016.

Return on total assets

Our return on total assets were 30.7% and 31.1% for the two years ended 31 March 2016, respectively. The increase in return on total assets of the year ended 31 March 2016 which was mainly due to increase in net profit attributable to owners of the Company. Our return on total assets decreased to approximately 1.7% for the six months ended 30 September 2016. Excluding the non-recurring listing expenses of approximately HK\$4.3 million incurred for the six months ended 30 September 2016 our return in total assets would be approximately 18.9% mainly attributable to (i) the increase in our rent, rates and management fees due to mainly due to the addition of new warehouses for our business expansion; and (ii) additions of leasehold improvements mainly for our Hung To Road Warehouse.

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Current ratio

Our current ratio were approximately 3.1, 3.5 and 3.3 as at 31 March 2015 and 2016 and 30 September 2016, respectively. The increase from 2015 to 2016 was mainly due to increase in bank balances and cash of approximately HK\$5.0 million primarily due to less dividend was paid. The current ratio was relatively stable as at 30 September 2016.

Quick ratio

Our quick ratio were approximately 2.2, 2.7 and 2.6 as at 31 March 2015 and 2016 and 30 September 2016, respectively. The quick ratio increased from 2015 to 2016 generally in line with the increase in current ratio for the same period and then remained relatively stable as at 30 September 2016.

Gearing ratio and net debt to equity ratio

During the Track Record Period, our Group did not have any interest-bearing borrowings as at each reporting date. Thus, gearing ratio and net debt to equity ratio were both not applicable to our Group.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Details of the risk to which we are exposed are set out in note (6) to Accountants' Report, the text of which is set out in Appendix I to this prospectus.

DIVIDENDS

For the years ended 31 March 2015 and 2016 and the six months ended 30 September 2016, dividends of approximately HK\$7.2 million, HK\$4.3 million and HK\$0.7 million were declared and paid by HFH Food or HFH Holdings to Mr. Wong Siu Man and Mr. Wong Siu Wa for the Track Record Period, respectively. As at the Latest Practicable Date, such dividend had been fully settled to the relevant Shareholders by our cash flow generated from operations and our proceeds from deemed contribution. Save for disclosed above, we have no plan to pay or declare any dividends prior to the Listing. We do not intend to determine any expected dividend payout ratio after Listing since our priority is to use our earnings for business development and expansion of customer base in the interest of our Shareholders as a whole. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Group does not have any dividend policy. Our Directors

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may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 29 September 2016 and is an investment holding company. There were no reserves available for distribution to our Shareholders as at the Latest Practicable Date.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Share Offer and the Listing. Assuming an Offer Price of HK\$0.25 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Offer Size Adjustment Option is not exercised, our total listing expenses is estimated to be approximately HK\$21.5 million, of which HK\$6.6 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity and the remaining amount of HK\$14.9 million has been or will be reflected in our consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2017. Out of this amount, approximately HK\$4.3 million had been charged to our profit and loss account for the six months ended 30 September 2016 and the remaining amount of approximately HK\$10.6 million is expected to be recognised in our consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2017. The actual amounts to be recognised to the profit and loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions. **Prospective investors should note that our financial results for the year ending 31 March 2017 will be adversely affected by the non-recurring Listing expenses described above, and may not be comparable to the financial performance of our Group in the past.**

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For our unaudited pro forma adjusted net tangible assets, please refer to the section headed “Appendix II – Unaudited Pro Forma Financial Information” in this prospectus.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 17.15 to 17.21 of the GEM Listing Rules.

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MATERIAL ADVERSE CHANGE

The impact of the listing expenses on our consolidated statements of profit or loss and other comprehensive income has posted a material adverse change in the financial or trading position or prospect of our Group since 30 September 2016 (being the date of the latest audited consolidated financial statements were made up). Our Directors consider that our financial performance for the year ending 31 March 2017 would be significantly adversely affected by the recognition of listing expenses and a loss is expected to be incurred for the year ending 31 March 2017. The final amount of these amounts to be recognised to the profit or loss of our Group is subject to adjustment based on audit and the changes in variables and assumptions. As a result of these expenses, our net profit for the year ending 31 March 2017 may decline as compared with the prior financial year. Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the year ending 31 March 2017.

Save as disclosed above, our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that save as disclosed under the section headed “Summary and Highlights – Recent Development” in this prospectus, there is no event which could materially affect the information shown in our consolidated financial information included in the Accountants’ Report set forth in Appendix I to this prospectus since 30 September 2016, and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BUSINESS OBJECTIVES

Our primary objectives are to strengthen our position in the food and beverage grocery distribution industry and further expand our business operations with a view to creating long-term Shareholders' value. We intend to achieve our objectives by implementing the future plans and business strategies as discussed in the section headed "Business – Our Strategies" in this prospectus.

FUTURE PLANS AND BUSINESS STRATEGIES

To achieve our business objectives, we intend to adopt the following strategies in the future:

- increase warehouse facilities strategically located in certain districts of Hong Kong in proximity to our customers;
- upgrade our ERP system to enhance our operation efficiency;
- further penetrate the food and beverage grocery distribution market through sales and marketing activities and our quality value-added services; and
- attract and retain quality personnel.

While enjoying competitive strengths on our distribution platform, we seek to further expand the geographical coverage of our distribution network by leasing new two warehouses. Our intended establishment of warehouses will be strategically located in the New Territories and on Hong Kong Island in proximity to our customers that who have expressed their intention for us to supply certain food and beverage grocery items or increase the frequency of delivery on a daily basis. Moreover, we will be able to leverage on our expanded distribution platform to serve independent non-chain customers who are remotely located and overlooked by our competitors.

Due to the limitation on existing warehouses capacity and its transportation radius, most of these estimated new business opportunities are in negotiation stage, and save as disclosed in the section headed "Summary and Highlights – Recent Development" in this prospectus, no formal agreement is yet entered into. Based on the current negotiations, our Directors are of the view that most of the new business opportunities are expected to have similar business terms with our existing customers and be materialised upon the completion of the expansion of our warehouses in the New Territories and on Hong Kong Island.

It is estimated that with reference to (i) the current operations and the historical growth of sales quantity ordered by our customers during the Track Record Period; (ii) our recent experience in setting up Hung To Road Warehouse; (iii) the anticipated increase in quantities ordered by both existing and new customers adjacent to our new warehouses in the New Territories and Hong Kong Island (mainly based on (a) the requests from our existing customers from time to time to increase delivery frequency due to limitation of storage space

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

for grocery products in their premises in such regions; and (b) enquiries from new or potential customers for delivery of grocery products to such regions); and (iv) an office area of approximately 80 sq.m. would be required to be used to support the operation of each new warehouse, our Directors are of the view that a premises of saleable area of approximately 1,300 sq.m. would be of the minimum scale for each new warehouse to be set up and operate practically and economically. As such, as at the Latest Practicable Date, we were identifying two potential new warehouses of saleable area of approximately 1,300 sq.m. each in the industrial area in the New Territories and on Hong Kong Island. The new warehouses are expected to increase our designated storage capacity by, in aggregate, approximately 2,300 CBM, from approximately 2,300 CBM as at 30 June 2016 to approximately 4,600 CBM by the end of 2018.

Our Directors estimate the monthly rental deposits and monthly rental expenses of the new warehouses in the target areas in New Territories and on Hong Kong Island to be approximately HK\$150 per sq.m., which is comparable to both the historical monthly rental expenses of our existing warehouses of approximately HK\$134.5 per sq.m. for the six months ended 30 September 2016 and the average monthly rental expenses of comparable warehouses in the same areas of approximately HK\$143.0 per sq.m. in 2016, according to the F&S Report respectively.

Based on the above, our Group plans to lease two warehouses by applying approximately HK\$23.4 million or 48.3% of the net proceeds, out of which (i) approximately HK\$7.6 million or 32.6% will be utilised to place rental deposits and make rental payments; (ii) approximately HK\$6.0 million or 25.6% will be invested in the renovation; and (iii) the remaining approximately HK\$9.8 million or 41.8% will be invested in acquiring inventory to start up the warehouses. The amount of the renovation and start-up costs allocated to each of our new warehouses are estimated with reference to the actual renovation and start-up costs incurred per sq.m. for our Hung To Road Warehouse, which commenced operation in early July 2016, multiplied by the estimated area of the new warehouses. Therefore, our Directors believe that the renovation and start-up costs allocated to each of our new warehouses are reasonable. For more details, please refer to the paragraph headed “Implementation Plans” in this section below.

We estimate that the warehouses in New Territories and Hong Kong Island will start operation by mid 2017 and 2018, respectively, and upon the operation of the first warehouse, we will be able to provide more variety of product offerings to our customers with enhanced regional coverage. The storage utilisation rate of our expanded storage facilities in the first year of operation is estimated to be approximately 80%. We estimate that the new warehouses will have a breakeven utilisation rate* of approximately 73.2%.

* The breakeven utilisation rate was calculated by dividing the estimated annual operating cost (which include the rental payments together with the rental deposits, renovation and start-up costs depreciated straight-line over the lease term) by the estimated annual net profit of our new warehouses (which was the multiple of historical net profit of our existing warehouses per CBM for the year ended 31 March 2016 and the estimated CBM of the new warehouses).

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Having considered (i) our existing warehouses capacities are almost fully utilised; (ii) the expansion of our warehouses can enhance the geographical coverage and efficiency of our distribution platform which will enable us to better serve our existing customers and procure new customers through implementing our business strategies upon Listing as mentioned in the paragraphs headed “Business Objectives” and “Future Plans and Business Strategies” in this section above; and (iii) the expected payback period is within a reasonable time frame, our Directors believe that our Group’s business strategies of enhancing our distribution platform is in the interests of our Shareholders.

USE OF PROCEEDS

For the period from the Listing Date to 31 December 2018, our net proceeds from the Share Offer will be used as follows:

	For the six months ending 30 June 2017 (HK\$'000)	For the six months ending 31 December 2017 (HK\$'000)	For the six months ending 30 June 2018 (HK\$'000)	For the six months ending 31 December 2018 (HK\$'000)	Total (HK\$'000)
Leasing of warehouse facility in New Territories & Hong Kong Island					
– Rental deposits	585	–	585	–	1,170
– Rental payments	585	1,170	2,350	2,350	6,455
– Renovation costs	1,500	1,500	1,500	1,500	6,000
– Start-up costs for warehouse facility	3,530	2,830	1,765	1,650	9,775
Upgrade of ERP System	8,500	1,060	2,500	500	12,560
Conducting sales and marketing activities	1,250	1,550	1,250	1,490	5,540
Installation of new repackaging equipment	900	900	850	850	3,500
General working capital	875	875	875	875	3,500
	<u>17,725</u>	<u>9,885</u>	<u>11,675</u>	<u>9,215</u>	<u>48,500</u>
Total	<u>17,725</u>	<u>9,885</u>	<u>11,675</u>	<u>9,215</u>	<u>48,500</u>

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

IMPLEMENTATION PLANS

Our Group's implementation plan is set forth below for the 24 months upon Listing. Based on our Group's business strategies, our Directors intend to carry out the following implementation plan:

For the six months ending 30 June 2017

Business strategy	Use of proceeds (HK\$)	Implementation activities
Leasing of a warehouse facility in New Territories	6,200,000 (including HK\$585,000 rental deposits, HK\$585,000 rental payments, HK\$1,500,000 renovation costs and HK\$3,530,000 start-up costs)	<ul style="list-style-type: none">• Entering into tenancy agreement• Carrying out renovation work• Acquiring inventory to start up the warehouse
Upgrade of ERP system	8,500,000	<ul style="list-style-type: none">• Engaging third party information technology consultant• Acquiring software licences• Implementing phase I warehouse management ERP system, which automates and streamline all the core back-end processes including finance and cost control, material management, sales and distribution and warehouse management. The completion of phase I is expected to optimise financial management and facilitate decision-making process.• Conducting training
Conducting sales and marketing activities	1,250,000	<ul style="list-style-type: none">• Recruiting new licenced or exclusive products from overseas countries• Participating in domestic and international trade shows or food exhibitions to showcase our products to potential buyers and seek other potential business opportunities
Installation of new repackaging equipment	900,000	<ul style="list-style-type: none">• Purchasing new repackaging equipment• Developing packaging design
General working capital	875,000	
Total	17,725,000	

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 31 December 2017

Business strategy	Use of proceeds (HK\$)	Implementation activities
Leasing of a warehouse facility in New Territories	5,500,000 (including HK\$1,170,000 rental payments, HK\$1,500,000 renovation costs and HK\$2,830,000 start-up costs)	<ul style="list-style-type: none"> • Continue to carry out renovation work • Continue to acquire inventory
Upgrade of ERP system	1,060,000	<ul style="list-style-type: none"> • Implementing phase II customer relationship management (CRM) ERP system, which provides the sales representatives with real-time access to information of customers and products. The completion of phase II is expected to improve client management and sales performance of our Group • Continue to conduct training
Conducting sales and marketing activities	1,550,000	<ul style="list-style-type: none"> • Recruiting new licenced or exclusive products from overseas countries • Expanding recipe suggestion services and on-site cooking demonstrations • Participating in domestic and international trade shows or food exhibitions to showcase our products to potential buyers and seek other potential business opportunities
Installation of new repackaging equipment	900,000	<ul style="list-style-type: none"> • Purchasing new repackaging equipment • Developing packaging design
General working capital	875,000	
Total	<hr style="border: 0.5px solid black;"/> 9,885,000 <hr style="border: 1.5px solid black;"/>	

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 30 June 2018

Business strategy	Use of proceeds (HK\$)	Implementation activities
Leasing of a warehouse facility in New Territories and on Hong Kong Island	6,200,000 (including (i) HK\$585,000 rental deposits, HK\$1,175,000 rental payments, HK\$1,500,000 renovation costs and HK\$1,765,000 start-up costs for warehouse facility on Hong Kong Island; and (ii) HK\$1,175,000 rental payments for warehouse facility in the New Territories)	<ul style="list-style-type: none"> • Entering into tenancy agreement • Carrying out renovation work • Acquiring inventory to start up the warehouse
Upgrade of ERP system	2,500,000	<ul style="list-style-type: none"> • Implementing phase III human capital management (HCM)/payroll ERP system, which optimises HCM processes such as payroll management, talent management and recruitment by streamlining and automating day-to-day record-keeping processes • Conducting training
Conducting sales and marketing activities	1,250,000	<ul style="list-style-type: none"> • Recruiting new licenced or exclusive products from overseas countries • Participating in domestic and international trade shows or food exhibitions to showcase our products to potential buyers and seek other potential business opportunities
Installation of new repackaging equipment	850,000	<ul style="list-style-type: none"> • Purchasing new repackaging equipment • Developing packaging design
General working capital	875,000	
Total	11,675,000	

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 31 December 2018

Business strategy	Use of proceeds (HK\$)	Implementation activities
Leasing of a warehouse facility in New Territories and on Hong Kong Island	5,500,000 (including (i) HK\$1,175,000 rental payments, HK\$1,500,000 renovation costs and HK\$1,650,000 start-up costs for warehouse facility on Hong Kong Island; and (ii) HK\$1,175,000 rental payments for warehouse facility in the New Territories)	<ul style="list-style-type: none"> • Continue to carry out renovation work • Continue to acquire inventory
Upgrade of ERP system	500,000	<ul style="list-style-type: none"> • Conducting training on ERP system usage
Conducting sales and marketing activities	1,490,000	<ul style="list-style-type: none"> • Recruiting new licenced or exclusive products from overseas countries • Expanding recipe suggestion services and on-site cooking demonstrations • Participating in domestic and international trade shows or food exhibitions to showcase our products to potential buyers and seek other potential business opportunities
Installation of new repackaging equipment	850,000	<ul style="list-style-type: none"> • Purchasing new repackaging equipment • Developing packaging design
General working capital	875,000	
Total	9,215,000	

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BASES AND ASSUMPTIONS

The Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 December 2018.

- (a) there will be no material changes in the existing government policies or political, legal, fiscal or economic conditions in Hong Kong;
- (b) our Group will be able to continually obtain adequate finance for our business and operate as a going concern in the foreseeable future. The respective offering financial institutions will not withdraw any of the existing available facilities;
- (c) there will be no material changes in legislation or regulations or rules in the operating regions which will adversely affect the business of our Group;
- (d) our Group will not be materially affected by any risk factors set out in the section headed “Risk Factors” in this prospectus;
- (e) there will be no material changes in the bases (such as inflation, interest rate and foreign exchange rate) or rates of taxation in Hong Kong. Taxation is expected to be paid in April of every year;
- (f) our Group’s operations will not be adversely affected by interruptions or labour disputes, for reasons that are beyond the control of our Directors;
- (g) there will be no fund raising activities, other than the Listing;
- (h) there will be no change to the credit terms granted to customers and trade receivable turnover days is expected to remain stable;
- (i) the sales proceeds will be collected in the next month of respective sales transactions, after taking into account for the historical settlement pattern of customers;
- (j) there will be no material change in the credit period granted by the suppliers and our Group will settle the invoice amount in accordance with the payment terms agreed;
- (k) 50% of purchase is expected to be settled in the months of respective sales transactions and the remaining 50% to be settled in next month, after taking into account for the historical settlement pattern of our Group;
- (l) the payments of staff costs, property rentals and related expenses, and other operating expenses are assumed to be made in the month in which they are incurred;
- (m) there will be no Share repurchase;

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- (n) there will not be material changes in the market demand and the competitive landscape of the food and beverage grocery distribution industry;
- (o) the Share Offer will be completed in accordance with and as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus;
- (p) our Group is able to retain our major customers and suppliers;
- (q) our Group will be able to retain key staff in the management and the main operational departments;
- (r) our Group will not experience significant changes of product mix, the composition of products sourced domestically and overseas, the purchase costs of the products, purchase discounts and rebates granted to our Group;
- (s) our Group will not experience significant changes of customer mix and their respective product mix; and sale pattern including the composition of cash and credit sales, sales discounts and rebates granted by our Group;
- (t) our Group will not face significant obsolescence of inventory or impairment on trade debtors and make significant provision;
- (u) our Group will not be subject to any significant product recall, return or liabilities;
- (v) the Group is not materially and adversely affected by any of the risk factors set out in the section headed “Risk Factors” of the prospectus;
- (w) there will be no change in the effectiveness of the licenses and permits obtained by our Group;
- (x) the listing expenses will be settled in accordance with the payment schedules as stated in the respective mandates with professional parties;
- (y) there will be no change to existing accounting policies from those stated in the consolidated audited financial statements of our Group for the Track Record Period; and
- (z) our Group will be able to continue our operations in substantially the same manner as our Group has been operating during the Track Record Period and our Group will be able to carry out the development plans without disruptions adversely affecting our operations or business objectives in any way.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

Prior to the Listing, funding of our business activities was primarily from internally generated cash. We had approached commercial banks in the past for credit facilities. However, most banks would require collateral, either in the form of cash or immovable assets such as properties. As we do not have property assets available for pledging as collateral, it has been difficult for us to secure bank borrowings, without the support by our Controlling Shareholders and on terms which we find favourable. On 1 November 2016, we successfully obtained a credit facility of HK\$3.0 million from a commercial bank in Hong Kong and the facility was drawn down on 3 November 2016. The facility is supported by a personal guarantee by Mr. Wong Siu Man and Mr. Wong Siu Wa, being two of the Controlling Shareholders and executive Directors, to finance the Group's business operation and it will be released and replaced by a corporate guarantee to be granted by our Company upon Listing. Before obtaining such banking facility, in August and September 2016, we also obtained external funding from pre-IPO investments in the amount of approximately HK\$6.0 million and HK\$2.0 million from Trillion Advance and Glory Concord, respectively mainly for general working capital. Our Directors believe that the geographical coverage and efficiency of our distribution platform are key elements for us to maintain market competitiveness. We have, therefore, drawn up business plans of enhancing our distribution platform which will require considerable additional financial resources. As such, our Directors believe that the Listing will enable us to raise additional funds immediately and have access to the equity capital market for raising funds in the future to fulfil capital needs. Our Directors also believe that it would be easier and more cost-effective for us to obtain sufficient debt financing from banks to fund our future operations and development with a listing status. Furthermore, a listing status would allow us to further strengthen our reputation in the industry which makes it easier for us to maintain our existing business relationship with our network of suppliers and customers and further explore potential business opportunities with new suppliers and customers.

The net proceeds from the issue of the Offer Shares under the Share Offer based on the Offer Price of HK\$0.25 per Share, being the mid-point of the indicative Offer Price range, are estimated to be approximately HK\$48.5 million, after deducting the estimated underwriting commission and total expenses in the aggregate amount of approximately HK\$21.5 million, paid and payable by our Company from the gross proceeds of the Share Offer and assuming the Offer Size Adjustment Option is not exercised.

We intend to apply the net proceeds of the issue of the Offer Shares under the Share Offer in the following manner:

- (a) approximately 48.3% of the total estimated net proceeds, or HK\$23.4 million, will be used to lease two warehouse facilities, one in the New Territories in the first year after the Listing and another on the Hong Kong Island in the second year after the Listing, respectively;
- (b) approximately 26.0% of the total estimated net proceeds, or HK\$12.6 million, will be used to upgrade our ERP system;

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- (c) approximately 11.3% of the total estimated net proceeds, or HK\$5.5 million, will be used to conduct sales and marketing activities;
- (d) approximately 7.2% of the total estimated net proceeds, or HK\$3.5 million, will be used to install new repackaging equipment and develop packaging design; and
- (e) approximately 7.2% of the total estimated net proceeds, or HK\$3.5 million, will be used for general working capital purposes.

The net proceeds from the issue of the Offer Shares will be utilised by 31 December 2018 and approximately 7.2% will be used as working capital and funding for other general corporate purposes according to our current business plans. If the Offer Price is fixed at the high end of the indicative Offer Price range, being HK\$0.29 per Offer Share, the net proceeds we receive from the issue of the Offer Shares will increase by approximately HK\$11.2 million. If the Offer Price is fixed at the low end of the indicative Offer Price range, being HK\$0.21 per Offer Share, the net proceeds we receive from the issue of the Offer Shares will decrease by approximately HK\$11.2 million. To the extent that the net proceeds are either more or less than expected, for instance in the event that the Offer Price is set at the high-end or low-end of the indicative Offer Price range, we will adjust our allocation of the net proceeds for the above purposes on a pro-rata basis.

The possible use of our proceeds outlined above may change in light of our evolving business needs and conditions, management requirements together with prevailing market circumstances. In the event of any material modification to the use of proceeds as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

According to the current estimates, the Directors consider that the net proceeds from the issue of the Offer Shares under the Share Offer and our Group's internal resources will be sufficient to finance our Group's business plans up to the year ending 31 December 2018.

To the extent that the net proceeds from the issue of the Offer Shares under the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with authorised financial institutions.

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PUBLIC OFFER UNDERWRITERS

South China Securities Limited

China Prospect Securities Limited

China Sky Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the additional Shares to be issued pursuant to the Capitalisation Issue and pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme) by the Listing Division 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 now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) shall have the absolute right upon giving a written notice to our Company (on behalf of the other parties thereto other than the Public Offer Underwriters and the Sole Sponsor) to terminate the Public Offer Underwriting Agreement if any of the following events occur at any time prior to 8:00 a.m. on the Listing Date (which is expected to be on Thursday, 13 April 2017):

- (a) there has come to the notice of the Sole Sponsor, the Joint Bookrunners or any Public Offer Underwriters or the Joint Bookrunners or the Public Offer Underwriters have reasonable cause to believe:
 - (i) that any statement contained in this prospectus, any supplemental offering materials, press announcement, the formal notice to be issued on Friday,

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31 March 2017 by the Company substantially in the agreed form pursuant to the GEM Listing Rules, the road show materials and any other document published or issued by or on behalf of the Company, the Sole Sponsor or the Joint Bookrunners for the purpose of or in connection with the Share Offer, considered by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion, was when the same was issued, or has become, untrue, incorrect or misleading in any respect; or

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion to be material to the Share Offer; or
 - (iii) any breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement (other than on the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters) as determined by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion; or
 - (iv) any adverse change or development involving a prospective change (whether or not permanent) in the business affairs, prospects or the financial or trading position of the Group; or
 - (v) any breach of any of the representations, warranties, agreements and undertakings given by the Company, the executive Directors, the Controlling Shareholders (the “**Warranties**”) under the Public Offer Underwriting Agreement, as determined by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion; or
 - (vi) any of the Warranties under the Public Offer Underwriting Agreement is untrue, inaccurate, misleading or breached in any respect when given or repeated as determined by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion.
- (b) there shall develop, occur, exist, continue to exist or come into effect:
- (i) any event, or series of events, beyond the control of the Sole Sponsor and/or the Joint Bookrunners or the Public Offer Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, war, threat of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation); or

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- (ii) any adverse change or development involving a prospective change, or any event or series of events currently in existence or otherwise, likely to result in any change or development (whether or not permanent) in local, national, regional or international, financial, economic, currency, legal, exchange control, political, military, industrial, fiscal, regulatory or market or other conditions, circumstances or matters and/or disaster or any monetary or trading settlement systems (including any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market, London Stock Exchange or any of the stock exchanges in the PRC, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or

- (iii) any new publicly available laws, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees or rulings of any court, government, governmental or regulatory authority or any other any public, regulatory, taxing, administrative or governmental, agency or authority, any self-regulatory organization or any securities exchange authority, other authority and any court at the national, provincial, municipal or local level of all relevant jurisdictions, including (without limitation) the PRC, Hong Kong, the Cayman Islands and the BVI (as the case may be) (“**Government Authority**”) and all relevant Code of Conduct, the CFA Code, the SFC Guidelines for GEM, the Joint Statement regarding the price volatility of GEM stocks issued by the SFC and the Stock Exchange on 20 January 2017 and the GEM Listing Rules (the “**Relevant Laws**”) or policy or directive or change (whether or not forming part of a series of changes) or development in existing Relevant Laws or policy or directive or in the interpretation or application thereof by any court or Government Authority or other competent authority in Hong Kong or any other jurisdictions where any member of the Group is incorporated or operated; or

- (iv) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by, the US or the European Union (or any member thereof) or any other country or organization on Hong Kong, the PRC, the US or any other jurisdictions where any member of the Group is incorporated or operated; or

- (v) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in Hong Kong, the PRC, the US, or any other jurisdictions where any member of the Group is incorporated or operated; or

- (vi) any change or development involving a prospective change, or a materialization of, any of the risks set forth in the section headed “Risk Factors” in this prospectus; or

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- (vii) any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group; or
- (viii) a demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (ix) any loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (x) a petition is presented for the winding up or liquidation of any member of the Group or any member of the 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 the 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 the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (xi) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or other jurisdictions relevant to any member of the Group; or
- (xii) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting Hong Kong, the PRC, the Cayman Islands, the BVI or any other jurisdiction where the Company is incorporated or operated; or
- (xiii) there is a change in the system under which the value of the HK\$ is linked to that of the US dollar or the peg of RMB to a basket of currencies including USD;
- (xiv) any event, act or omission which gives rise to or is likely to give rise to any liability of any of the Company, the executive Directors and the Controlling Shareholders pursuant to the indemnity contained in the Public Offer Underwriting Agreement; or
- (xv) any concern by the Sole Sponsor or Joint Bookrunners concerning compliance with Relevant Law(s) with respect to any matters relating to the Share Offer, the Offer Shares, the Listing and/or any other related matters,

which in the sole and absolute opinion of the Sole Sponsor and/or the Joint Bookrunners (1) is or shall have or could be expected to have a material adverse change, or any development involving a prospective material adverse change, in the

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financial or operational condition or in the earnings, management, prospects, assets or liabilities of any member of the Group, whether or not arising in the ordinary course of business (“Material Adverse Effect”); or (2) has or shall have or could be expected to have a Material Adverse Effect on the success, marketability or pricing of the Share Offer or the level of interest under the Share Offer; or (3) is or will or may make it inadvisable, inexpedient, impracticable or not commercially viable (i) for the Share Offer to proceed or (ii) for any material part of the Public Offer Underwriting Agreement to be performed or implemented as envisaged or (4) having any compliance related concern in respect of the Share Offer, the Offer Shares, the Listing, and/or any other related matters, with consideration of Relevant Law(s).

Undertakings to the Stock Exchange

Undertakings by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company undertakes to the Stock Exchange that save as pursuant to the Share Offer (including the exercise of the Offer Size Adjustment Option and the grant and exercise of the options under the Share Option Scheme), no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) will be issued by us, or form the subject of any agreement by us to such an issue, within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except pursuant to the Placing (including pursuant to the exercise of the Offer Size Adjustment Option), any exercise of the options which may be granted under the Share Option Scheme or any of the circumstances permitted pursuant to Rules 17.29(1) to (5) of the GEM Listing Rules.

Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders undertakes to our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters and the Stock Exchange that, except pursuant to the Placing and for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, he/it shall not, and shall procure that the relevant registered holder(s) of the Shares shall not,

- (a) within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), 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; and
- (b) within the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

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Each of the Controlling Shareholders further irrevocably undertakes and covenants with our Company, the Sole Sponsor, the Joint Bookrunners, the Public Offer Underwriters and the Stock Exchange that he/it shall, and shall procure that the relevant registered holder(s) shall,

- (c) in the event that he/it pledges or charges any direct or indirect interest in the Shares pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the First Six-Month Period, inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (d) having pledged or charged any interest in the Shares under (c) above, inform our Company immediately in the event that he/it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

Pursuant to Rule 13.20 of the GEM Listing Rules, in the event that our Company has been informed of any matter under Rule 13.19 of the GEM Listing Rules as described above, we shall forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Our Company irrevocably undertakes to and covenants with each of the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters, and each of the Controlling Shareholders and the executive Directors undertakes to and covenants with the Sole Sponsor, Joint Bookrunners and the Public Offer Underwriters to procure that, during the First Six-Month Period, save with the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters and the Sole Sponsor) and in compliance with the GEM Listing Rules and the applicable laws, and save pursuant to the Share Offer, the Capitalisation Issue and the issue of Shares pursuant to the Share Option Scheme; or (iii) any other share option scheme of our Company adopted from time to time, our Company shall not:

- (a) at anytime during the First Six-Month Period:
 - (i) offer, allot or issue, or agree to offer, allot, issue (conditionally or unconditionally) any Shares or securities convertible into or exchangeable for equity securities of the Company (whether or not of a class already listed); or
 - (ii) grant or agree to grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for or otherwise acquire or convertible or exchangeable into Shares or other securities of the Company (whether or not of a class already listed); or

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- (iii) enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any of its affiliates, either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or
 - (iv) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or securities convertible into or exchangeable for such Shares; or
 - (v) repurchase any Shares or securities of the Company; or
 - (vi) offer to or agree to do any of the foregoing or announce any intention to do so;
- (b) at anytime during the Second Six-Month Period do any of the acts set out in paragraph (a) above, so as to result in the Controlling Shareholders (together with any of its associates) either individually or taken together with the others of them cease to be a controlling shareholder of the Company (within the meaning of the GEM Listing Rules).
- (c) in the event that our Company does any of the acts set out in paragraphs (a) and (b) above after the expiry of the First Six-Month Period or the Second Six-Month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Undertaking by our Controlling Shareholders

Each of the Controlling Shareholders has irrevocably undertaken to and covenanted with each of the Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, and the Public Offer Underwriters that, without the prior written consent of each of the Company, the Sole Sponsor and the Joint Bookrunners and the Joint Lead Managers, it shall not directly or indirectly and shall procure that none of its associates or the companies controlled by it or any nominee or trustee holding in trust for it shall

- (a) during the First Six-Month Period:
 - (i) sell, transfer or dispose of, offer to sell, contract to sell, transfer or dispose of, nor enter into any agreements to sell, transfer or dispose of or otherwise create any options, warrants, rights, interests or a mortgage, charge, pledge, lien, option, restriction, right of first refusal, security interest, claim, equity interest, right of pre-emption, third-party right or interest, or interests or rights of the

UNDERWRITING

same nature as the foregoing or other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect (“**Encumbrances**”) (including the creation or entry into of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charge, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) on any of the Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such shares therein owned by it or any of its associates or in which it or any of its associates is, directly or indirectly, interested immediately after the completion of the Capitalisation Issue, the Share Offer and the issuance and allotment of any other Shares or securities of or interest in the Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares or such securities; or

- (ii) sell, transfer or dispose of, offer to sell, contract to sell, transfer or dispose of, nor enter into any agreements to sell, transfer or dispose of or otherwise create any options, warrants, rights, interests or Encumbrances (including the creation or entry into of any agreement to create any pledge or charge or Encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition whether by actual disposition or effective economic disposition due to cash settlement or otherwise) on any shares or interest in any company controlled by it or any of its associates which is the beneficial owner (directly or indirectly) of any of such securities or any interests therein as referred to in paragraph (a) above (or any other shares or securities of or interest in such company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); or
 - (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a)(i) and (a)(ii) above; or
 - (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a)(i), (a)(ii), or (a)(iii) above.
- (b) during the Second Six-Month Period:
- (i) sell, transfer, dispose of, offer to sell, transfer or disposal of nor enter into any agreement to sell, transfer or dispose of or create any options, warrants, rights, interests or Encumbrances (including the creation or entry into of any agreement to create any pledge or charge or Encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to,

UNDERWRITING

result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) on any shares in any company controlled by it or any of their associates which is the beneficial owner (directly or indirectly) of such Shares or any interests therein as aforesaid if, immediately following such disposal or creation of rights, the Controlling Shareholders (together with its associates) would, directly or indirectly, cease to be a controlling shareholder of the Company (within the meaning of the GEM Listing Rules) or cease to hold, directly or indirectly, a controlling interest of over 30%, or such lower amount as may from time to time be specified in the Takeovers Codes as being the level for triggering a mandatory general offer, in the Company;

- (ii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (b)(i) above announce any intention to enter into or effect any of the transactions referred to in paragraph (b)(i) above.

In the event of a disposal by it of any of the Shares or securities or any interest therein during the Second Six Month Period, it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of the Company.

The Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, *inter alia*, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement and on the additional terms described below. Pursuant to the Placing Underwriting Agreement, we are offering the Placing Shares for subscription by way of Placing, on and subject to the terms and conditions in the Placing Underwriting Agreement and this prospectus, at the Offer Price. Under the Placing Underwriting Agreement, subject to, among other conditions, (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the GEM of the Stock Exchange; (ii) the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated; (iii) the Price Determination Agreement having been duly signed by the Company and the Joint Bookrunners (acting for themselves and on behalf of the Underwriters) on the date thereof and such agreement not subsequently having been terminated in accordance with its terms or otherwise; and (iv) certain other conditions set out in the Placing Underwriting Agreement, the Placing Underwriters have severally agreed to subscribe for, or procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions of the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

UNDERWRITING

It is expected that our Company will grant the Offer Size Adjustment Option to the Placing Underwriters, exercisable by the Joint Bookrunners on behalf of the Placing Underwriters at any time prior to the Listing Date, to require our Company to issue up to an aggregate of 42,000,000 additional new Shares, representing in aggregate 15% of the Offer Shares initially available under the Share Offer at the Offer Price, under the Placing to cover over-allocations (if any) in the Placing.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the sub-section headed “Underwriting arrangements and expenses – The Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

Total commission, fee and expenses

In connection with the Share Offer, the Public Offer Underwriters will, and the Placing Underwriters are expected to receive an underwriting commission of 3.0% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions. If any of Offer Size Adjustment Option is exercised, the underwriting commission will be calculated in the same manner with the Offer Shares initially available for subscription. In connection with the Listing, the Sole Sponsor will receive a sponsorship and documentation fee. In addition, our Company may also, conditional upon completion of the Share Offer, at its sole and absolute discretion pay to the Joint Bookrunners an additional discretionary bonus for their service and/or performance in such amount as our Company in its sole and absolute discretion determine.

The aggregate commissions and estimated expenses, together with Listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to be approximately HK\$21.2 million to HK\$21.8 million (assuming the Offer Size Adjustment Option is not exercised and the Offer Price ranging from HK\$0.21 to HK\$0.29 per Share) and are payable by our Company.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

SOLE SPONSOR’S, JOINT BOOKRUNNERS’ AND UNDERWRITERS’ INTERESTS IN OUR COMPANY

Save for their interests and obligations under the Underwriting Agreements and the sponsorship fee payable to the Sole Sponsor in respect of the Listing, none of the Sole Sponsor, the Joint Bookrunners and the Underwriters are interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

UNDERWRITING

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises:

- (a) the Public Offer of 28,000,000 new Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in the sub-section headed “The Public Offer” in this section; and
- (b) the Placing of an aggregate of 252,000,000 new Shares (subject to reallocation as mentioned below and the Offer Size Adjustment Option) in Hong Kong to professional, institutional and/or other investors.

Investors may apply for Offer Shares under the Public Offer or apply for or indicate an interest for Offer Shares under the Placing, but may not do both. References in this prospectus to applications, Application Forms, application monies or the procedures for application relate solely to the Public Offer.

The Offer Shares will represent 25% of the total issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised).

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 28,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Share Offer. Subject to the reallocation of Shares between the Public Offer and the Placing, the Public Offer Shares will represent approximately 2.5% of the total issued share capital of our Company immediately following the completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised). The Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and/or other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the sub-section headed “Conditions of the Public Offer” in this section.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which 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.

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) if the number of the Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 56,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be 84,000,000 Offer Shares, representing approximately 30% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);
- (b) if the number of the Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 84,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the total number of the number of Offer Shares available under the Public Offer will be 112,000,000 Offer Shares, representing approximately 40% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option); and
- (c) if the number of the Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 112,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be 140,000,000 Offer Shares, representing approximately 50% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. In addition, the Joint Bookrunners may in their sole and absolute discretion reallocate Offer Shares of the Placing to the Public Offer to satisfy valid applications under the Public Offer. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In addition, if the Public Offer Shares are undersubscribed, the Joint Bookrunners have the authority to reallocate all or any of the unsubscribed Public Offer Shares to the Placing.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares initially comprised in the Public Offer are liable to be rejected.

Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$0.29 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee, amounting to a total of HK\$2,929.23 per board lot of 10,000 Offer Shares. If the Offer Price, as finally determined in the manner described in the sub-section headed "Price determination of the Share Offer" in this section, is less than the maximum price of HK\$0.29 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for the Public Offer Shares" in this prospectus.

THE PLACING

Number of Offer Shares offered

The Placing will consist of an initial offering of 252,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option), representing 90% of the total number of Offer Shares initially available under the Share Offer and approximately 22.5% of the total issued share capital immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised). The Placing will be offered by us to professional, institutional and/or other investors in Hong Kong.

Allocation

The Placing will include selective marketing of the Placing Shares to professional, institutional and/or other investors anticipated to have a sizeable demand for the Placing Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Placing Shares pursuant to the Placing will be effected in accordance with the "book-building"

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

process described in the paragraph headed “Price Determination of the Share Offer” below and based on a number of factors, including the level and timing of demand, and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application of the Public Offer Shares under the Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement as described in the paragraph headed “The Public Offer – Reallocation” in this section and/or the exercise of the Offer Size Adjustment Option in whole or in part. In addition, the Joint Bookrunners may reallocate Placing Shares from the Placing to the Public Offer to satisfy the valid applications under the Public Offer that exceeds the number of Public Offer Shares initially offered. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

PRICE DETERMINATION OF THE SHARE OFFER

The Placing Underwriters will be soliciting from prospective investors’ indications of interest in acquiring Offer Shares in the Placing. Prospective investors will be required to specify the number of the 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 last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Friday, 7 April 2017 by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated or sold under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$0.29 per Offer Share and is expected to be not less than HK\$0.21 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and/or other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Share Offer and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published on the website of our Company (www.agdl.com.hk) and the website of the Stock Exchange (www.hkexnews.hk) a notice of the reduction or to be announced in such manner as permitted under the GEM Listing Rules and agreed between our Company and the Joint Bookrunners. Upon issue of such a notice, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range. 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. In the event there is a reduction in the Offer Shares and/or indicative Offer Price range, if the applicants have already submitted an application for the Public Offer Shares before the last day for lodging applications under the Public Offer, they will be allowed to subsequently withdraw their applications. However, if the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Bookrunners, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The net proceeds of the Share Offer accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Share Offer) are estimated to be approximately HK\$48.5 million, assuming an Offer Price per Offer Share of HK\$0.25 (being the mid-point of the stated indicative Offer Price range of HK\$0.21 to HK\$0.29 per Offer Share).

The final Offer Price, the indications of interest in the Share Offer, the results of applications and the basis of allotment of the Public Offer Shares available under the Public Offer, are expected to be announced on Wednesday, 12 April 2017 on the website of our Company (www.agdl.com.hk) and the website of the Stock Exchange (www.hkexnews.hk).

If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or about Friday, 7 April 2017, the Share Offer will not become unconditional and will lapse immediately.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

UNDERWRITING AGREEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is conditional upon the Placing Underwriting Agreement being signed and becoming unconditional.

Our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters expect to enter into the Placing Underwriting Agreement relating to the Placing on or about the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. 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.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Share Offer, our Company granted to the Joint Bookrunners (for themselves and on behalf of the Underwriters) the Offer Size Adjustment Option to cover over-allocations under the Placing (if any). Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue, at the final Offer Price, up to an aggregate of 42,000,000 additional new Shares, representing 15% of the Offer Shares initially available under the Share Offer.

The Offer Size Adjustment Option can only be exercised by the Joint Bookrunners (for themselves and on behalf of the Underwriters) prior to the Listing Date; otherwise it will lapse. The Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option will not be used for price stabilisation purpose and are not subject to the Securities and Futures (Price Stabilising) Rules of the SFO (Chapter 571W of the Laws of Hong Kong).

If the Offer Size Adjustment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of the enlarged issued share capital of our Company in issue following completion of the Capitalisation Issue, the Share Offer and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The additional net proceeds that we would receive if the Offer Size Adjustment Option is exercised in full (assuming the Offer Price of HK\$0.25 per Share (being the mid-point of the indicative Offer Price range)) are estimated to be approximately HK\$10.5 million, which would be applied to the respective uses on a pro-rata basis as disclosed in the section headed “Statement of Business Objectives and Use of Proceeds – Implementation Plans” in this prospectus.

We will disclose in the allotment results announcement whether the Offer Size Adjustment Option is exercised.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Public Offer Shares pursuant to the Public Offer will be conditional on:

- (a) the Listing Division of the Stock Exchange granting listing of, and permission to deal in, the Shares being offered pursuant to the Share Offer (including any Shares to be issued upon the exercise of the Offer Size Adjustment Option) and the options that may be granted under the Share Option Scheme;
- (b) the Offer Price having been fixed on or about the Price Determination Date;
- (c) the execution and delivery of the Placing Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with its terms, on or before the dates and times specified in the Placing Underwriting Agreement.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), or the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by on our Company's website (www.agdl.com.hk) and the Stock Exchange's website (www.hkexnews.hk) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on Wednesday, 12 April 2017 but will only become valid certificates of title at 8:00 a.m. on Thursday, 13 April 2017 provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination" in this prospectus has not been exercised.

DEALINGS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 13 April 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 13 April 2017.

The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares is 8413.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; 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 Joint Bookrunners and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Bookrunners may accept or reject it at their discretion and on any conditions they think fit, including provision of evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; or
- an associate or close associate (both as defined in the GEM Listing Rules) of any of the above;
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 31 March 2017 until 12:00 noon on Thursday, 6 April 2017 from:

- (i) the following offices of the Public Offer Underwriters:

South China Securities Limited at 28/F., Bank of China Tower, 1 Garden Road, Central; or

China Prospectus Securities Limited at Unit 1113A & 1115, 11/F., COSCO Tower, 183 Queen's Road Central, Hong Kong;

or China Sky Securities Limited at Unit 1106, 11/F., COSCO Tower, 183 Queen's Road Central, Hong Kong.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ii) the following branches of the receiving bank, Standard Chartered Bank (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
Kowloon	68 Nathan Road Branch	Basement, Shop B1, G/F and M/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 31 March 2017 until 12:00 noon on Thursday, 6 April 2017 from the Depository Counter of HKSCC at 1/F., One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED – ASIA GROCERY DISTRIBUTION PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 31 March 2017 – 9:00 a.m. to 5:00 p.m.
Saturday, 1 April 2017 – 9:00 a.m. to 1:00 p.m.
Monday, 3 April 2017 – 9:00 a.m. to 5:00 p.m.
Wednesday, 5 April 2017 – 9:00 a.m. to 5:00 p.m.
Thursday, 6 April 2017 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 6 April 2017, the last application day or such later time as described in the sub-section headed "9. Effect of bad weather on the opening of the application lists" in this section.

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4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, 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 Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (WUMP) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

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- (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 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 (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) 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 have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Bookrunners 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

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- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

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 Sponsor, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE 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;
 - 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 Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

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- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- 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

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of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance, Companies Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

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Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 31 March 2017	– 9:00 a.m. to 8:30 p.m. ^(Note 1)
Saturday, 1 April 2017	– 8:00 a.m. to 1:00 p.m. ^(Note 1)
Monday, 3 April 2017	– 8:00 a.m. to 8:30 p.m. ^(Note 1)
Wednesday, 5 April 2017	– 8:00 a.m. to 8:30 p.m. ^(Note 1)
Thursday, 6 April 2017	– 8:00 a.m. ^(Note 1) to 12:00 noon

Note:

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 31 March 2017 until 12:00 noon on Thursday, 6 April 2017 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 6 April 2017, the last application day or such later time as described in the sub-section headed “9. Effect of bad weather on the opening of the application lists” in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

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Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

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 facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant 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 Thursday, 6 April 2017.

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 Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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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 dealings in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer” in this prospectus.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 Thursday, 6 April 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 6 April 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the 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 Wednesday, 12 April 2017 on our Company’s website at www.agdl.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.agdl.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 12 April 2017;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 12 April 2017 to 12:00 midnight on Tuesday, 18 April 2017;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 12 April 2017 to Wednesday, 19 April 2017 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 12 April 2017 to Thursday, 13 April 2017 and Tuesday, 18 April 2017 at all the receiving bank’s designated branches on a Business Day.

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If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) 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 Sponsor, the Joint Bookrunners, the Joint Lead Managers 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.

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(iii) If the allotment of Public Offer Shares is void:

The allotment of 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
- 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 Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially available for subscription 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\$0.29 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in the section headed "Structure and Conditions of the Share Offer – Conditions of the Public Offer" in this prospectus are not fulfilled 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 Wednesday, 12 April 2017.

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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).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 12 April 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 13 April 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 Public Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from the Hong Kong Branch Share Registrar from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 April 2017 or such other date as notified by our Company as the date of collection/despatch of share certificates, refund cheques payment instructions. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) 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) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Wednesday, 12 April 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) from the Hong Kong Branch Share Registrar from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 April 2017 or such other date as notified by our Company as the date of collection/despatch of share certificates, refund cheques payment instructions. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) 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) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on Wednesday, 12 April 2017, by ordinary post and at your own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 Wednesday, 12 April 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the sub-section headed "10. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 12 April 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply 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 Wednesday, 12 April 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed “Publication of results” above on Wednesday, 12 April 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 12 April 2017 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Wednesday, 12 April 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 12 April 2017.

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 GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

Deloitte.

德勤

35/F One Pacific Place
88 Queensway
Hong Kong

31 March 2017

The Directors
Asia Grocery Distribution Limited

South China Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Asia Grocery Distribution Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the two years ended 31 March 2016 and six months ended 30 September 2016 (the “Relevant Periods”), for inclusion in the prospectus of the Company dated 31 March 2017 in connection with the proposed listing of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Prospectus”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 29 September 2016. Through a group reorganisation as more fully explained in the section headed “History, Reorganisation and Corporate Structure” to the Prospectus (the “Reorganisation”), the Company became the holding company of the Group on 30 September 2016.

Particulars of the Company’s subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital	Attributable equity interest of the Group as at			Date of this report	Principal activities
				31 March 2015	30 September 2016	30 September 2016		
Hung Fat Ho Holdings Limited (“HFH Holdings”)	The British Virgin Islands (the “BVI”) 30 June 2015	Hong Kong	United States Dollar (“US\$”) 20,000	N/A	100%	100%	100%	Investment holding
Hung Fat Ho Food Limited (“HFH Food”)	Hong Kong 24 November 2005	Hong Kong	Hong Kong Dollar (“HK\$”) 5,000,000	100%	100%	100%	100%	Trading and distribution of food and sauces
Ongo Food Limited (“Ongo Food”)	Hong Kong 25 July 2011	Hong Kong	HK\$500,000	80%	100%	100%	100%	Trading and distribution of food and sauces
Eagle Food Limited (“Eagle Food”)	Hong Kong 6 February 2015	Hong Kong	HK\$500,000	N/A*	100%	100%	100%	Trading and distribution of food and sauces
Lofty Idea Investments Limited (“Lofty Idea”)	BVI 24 June 2016	Hong Kong	US\$10,000	N/A	N/A	100%	100%	Holding of trademark and other intellectual property rights for the Group

* Eagle Food was acquired by the Group on 30 July 2015. Details are disclosed in note 25.

Except for HFH Holdings, which is directly owned by the Company, other subsidiaries are indirectly owned by the Company.

All the companies comprising the Group have adopted 31 March as their financial year end date.

No audited financial statements have been prepared for the Company, HFH Holdings and Lofty Idea since their respective dates of incorporation in jurisdictions where there are no statutory audit requirements.

The statutory financial statements of HFH Food and Ongo Food for the year ended 31 March 2015, which were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), were audited by Dave Kwok & Co. Certified Public Accountants, a firm of certified public accountants registered in Hong Kong.

We have acted as the statutory auditor of HFH Food and Ongo Food for the year ended 31 March 2016 and Eagle Food for the period from 6 February 2015 (date of incorporation) to 31 March 2016. The statutory financial statements of these companies were prepared in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries for each of the two years ended 31 March 2016 and the six months ended 30 September 2016 in accordance with the accounting policies which conform with HKFRSs issued by HKICPA (collectively thereafter referred to as the “Underlying Financial Statements”). We have undertaken independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 1 of Section A below. No adjustments have been made to the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 March 2015 and 2016 and 30 September 2016 and of the Company as at 30 September 2016 and of the financial performance and cash flows of the Group for the Relevant Periods.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the six months ended 30 September 2015 together with the notes thereon have been extracted from the Group's unaudited financial information for the same period (the "30 September 2015 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have concluded our review on the 30 September 2015 Financial Information in accordance with the Hong Kong Standard of Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. Our review of the 30 September 2015 Financial Information consists of making enquiries, 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 on the 30 September 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 September 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

(A) FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Six months			
		Year ended 31 March		ended 30 September	
		2015	2016	2015	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	7	156,211	183,744	88,069	93,583
Cost of sales		<u>(122,319)</u>	<u>(141,789)</u>	<u>(68,867)</u>	<u>(71,627)</u>
Gross profit		33,892	41,955	19,202	21,956
Other gain and losses, net	8	(270)	(81)	(55)	(242)
Other income	8	373	64	64	–
Selling and distribution expenses		(14,894)	(18,753)	(8,862)	(8,949)
Administrative expenses		(7,781)	(8,600)	(4,070)	(7,064)
Listing expenses		–	–	–	(4,259)
Finance costs	10	<u>(3)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Profit before taxation	11	11,317	14,585	6,279	1,442
Income tax expense	12	<u>(1,867)</u>	<u>(2,344)</u>	<u>(1,031)</u>	<u>(1,015)</u>
Profit and total comprehensive income for the year/period		<u>9,450</u>	<u>12,241</u>	<u>5,248</u>	<u>427</u>
Profit and total comprehensive income for the year/period attributable to:					
– Owners of the Company		9,040	12,056	5,063	427
– Non-controlling interests		<u>410</u>	<u>185</u>	<u>185</u>	<u>–</u>
		<u>9,450</u>	<u>12,241</u>	<u>5,248</u>	<u>427</u>
Earnings per share					
Basic (HK cents)	14	<u>1.20</u>	<u>1.60</u>	<u>0.67</u>	<u>0.06</u>

STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group		The Company	
		As at 31 March	As at 30 September	As at 30 September	As at 30 September
		2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2016 HK\$'000
Non-current assets					
Property, plant and equipment	15	1,762	1,497	3,091	–
Finance lease receivable	16	166	87	55	–
Deposits	18	505	764	1,654	–
Investment in a subsidiary		–	–	–	32,122
		<u>2,433</u>	<u>2,348</u>	<u>4,800</u>	<u>32,122</u>
Current assets					
Inventories – finished goods		7,463	7,675	9,136	–
Finance lease receivable	16	63	63	63	–
Trade receivables	17	17,162	20,655	20,243	–
Other receivable, deposits and prepayments	18	297	1,078	2,348	1,640
Amounts due from related companies	19	1,088	982	–	–
Bank balances and cash	20	921	5,926	12,870	–
		<u>26,994</u>	<u>36,379</u>	<u>44,660</u>	<u>1,640</u>
Current liabilities					
Trade payables	21	5,459	5,914	6,566	–
Other payables and accrued charges	22	1,061	1,372	5,654	2,287
Amounts due to directors	19	1,165	2,343	–	–
Amounts due to subsidiaries	24	–	–	–	3,612
Consideration payables	26	–	360	–	–
Tax payable		1,002	477	1,492	–
		<u>8,687</u>	<u>10,466</u>	<u>13,712</u>	<u>5,899</u>
Net current assets (liabilities)		<u>18,307</u>	<u>25,913</u>	<u>30,948</u>	<u>(4,259)</u>
Net assets		<u>20,740</u>	<u>28,261</u>	<u>35,748</u>	<u>27,863</u>
Capital and reserve					
Issued share capital	23	5,400	78	156	156
Reserves		<u>14,843</u>	<u>28,183</u>	<u>35,592</u>	<u>27,707</u>
Equity attributable to owners of the Company		20,243	28,261	35,748	27,863
Non-controlling interests		497	–	–	–
Total equity		<u>20,740</u>	<u>28,261</u>	<u>35,748</u>	<u>27,863</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company			Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Issued share capital HK\$'000	Other reserves HK\$'000	Accumulated profits HK\$'000			
At 1 April 2014	5,400	–	13,003	18,403	87	18,490
Profit and total comprehensive income for the year	–	–	9,040	9,040	410	9,450
Dividend (Note 13)	–	–	(7,200)	(7,200)	–	(7,200)
At 31 March 2015	5,400	–	14,843	20,243	497	20,740
Profit and total comprehensive income for the year	–	–	12,056	12,056	185	12,241
Issue of share capital of HFH Holdings (Note i)	78	–	–	78	–	78
Acquisition of additional interest of a subsidiary (Note 26)	–	184	–	184	(682)	(498)
Arising from reorganisation (Note ii)	(5,400)	5,400	–	–	–	–
Dividend (Note 13)	–	–	(4,300)	(4,300)	–	(4,300)
At 31 March 2016	78	5,584	22,599	28,261	–	28,261
Profit and total comprehensive income for the period	–	–	427	427	–	427
Issue of share capital of HFH Holdings (Note iii)	78	5,922	–	6,000	–	6,000
Transaction costs incurred directly attributable to issue of shares of HFH Holdings	–	(240)	–	(240)	–	(240)
Capital injection from a shareholder (Note iii)	–	2,000	–	2,000	–	2,000
Dividend (Note 13)	–	–	(700)	(700)	–	(700)
At 30 September 2016	156	13,266	22,326	35,748	–	35,748
At 1 April 2015	5,400	–	14,843	20,243	497	20,740
Profit and total comprehensive income for the period	–	–	5,063	5,063	185	5,248
Issue of share capital of HFH Holdings (Note i)	78	–	–	78	–	78
Acquisition of additional interest of a subsidiary (Note 26)	–	184	–	184	(682)	(498)
Arising from reorganisation (Note ii)	(5,400)	5,400	–	–	–	–
Dividend (Note 13)	–	–	(1,700)	(1,700)	–	(1,700)
At 30 September 2015 (unaudited)	78	5,584	18,206	23,868	–	23,868

Notes:

- (i) HFH Holdings was incorporated on 30 June 2015 and 10,000 ordinary shares of US\$1 each were allotted and issued by HFH Holdings, of which, 6,000 shares and 4,000 shares were issued to Mr. Wong Siu Man and Mr. Wong Siu Wa, respectively.
- (ii) The amounts represent the difference between the share capital of HFH Food, Ongo Food and Eagle Food and that of HFH Holdings issued during the year ended 31 March 2016.
- (iii) During six months ended September 2016, HFH Holdings issued 1,600 shares to Trillion Advance (as defined in note 1) at a consideration of HK\$6,000,000 and 8,400 shares to Sky Alpha (as defined in note 1) at nil consideration. Sky Alpha, the immediate holding company, injected HK\$2,000,000 to the Group as shareholders' contribution in September 2016.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTE	Year ended 31 March		Six months ended 30 September	
		2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 <i>(unaudited)</i>	2016 HK\$'000
OPERATING ACTIVITIES					
Profit before taxation		11,317	14,585	6,279	1,442
Adjustments for:					
Depreciation of property, plant and equipment		554	916	475	553
Gain on disposal/written-off of property, plant and equipment		–	(10)	–	–
Allowance for bad and doubtful debts		270	91	55	242
Finance costs		3	–	–	–
Operating cash flows before movements in working capital		12,144	15,582	6,809	2,237
(Increase) decrease in inventories		(4,584)	(212)	714	(1,461)
Increase in trade receivables		(10,692)	(16,856)	(7,832)	(554)
Increase in other receivable, deposits and prepayments		(21)	(230)	(1,319)	(2,160)
Increase in trade payables		1,897	455	4,301	652
Increase (decrease) in other payables and accrued charges		633	(62)	602	4,282
Cash (used in) generated from operations		(623)	(1,323)	3,275	2,996
Income tax paid		(1,108)	(2,869)	–	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(1,731)	(4,192)	3,275	2,996
INVESTING ACTIVITIES					
Purchases of property, plant and equipment		(817)	(184)	(181)	(2,147)
Proceeds from disposals of property, plant and equipment		–	10	–	–
Net inflow from acquisition of a subsidiary	25	–	357	357	–
Repayment from a finance lease receivable		81	79	48	32
Receipt from related companies		12,902	14,398	5,122	1,706
Advance to related companies		(258)	(250)	(150)	–
Acquisition of non-controlling interest of a subsidiary		–	(138)	(138)	(360)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		11,908	14,272	5,058	(769)

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 <i>(unaudited)</i>	2016 HK\$'000
FINANCING ACTIVITIES				
Interest paid	(3)	–	–	–
Gross proceeds from issue of shares	–	78	78	6,000
Transaction costs incurred for issue of shares	–	–	–	(240)
Capital injection from a shareholder	–	–	–	2,000
Advance from directors	1,527	946	–	–
Repayment to directors	(5,924)	(1,199)	(1,048)	(2,343)
Dividend paid	(6,600)	(4,900)	(1,700)	(700)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(11,000)</u>	<u>(5,075)</u>	<u>(2,670)</u>	<u>4,717</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS				
	(823)	5,005	5,663	6,944
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD				
	<u>1,744</u>	<u>921</u>	<u>921</u>	<u>5,926</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash				
	<u>921</u>	<u>5,926</u>	<u>6,584</u>	<u>12,870</u>

NOTES TO FINANCIAL INFORMATION

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2016 Revision) of the Cayman Islands on 29 September 2016. Its immediate holding company is Sky Alpha Investments Limited (“Sky Alpha”), an entity incorporated in the BVI, which is jointly controlled by Mr. Wong Siu Man and Mr. Wong Siu Wa. The address of the Company’s registered office and the principal place of business is disclosed in the section headed “Corporate Information” in the Prospectus.

The companies now comprising the Group underwent a series of reorganisation. Historically and prior to the completion of the Reorganisation, all the companies comprising the Group were jointly controlled by Mr. Wong Siu Man and Mr. Wong Siu Wa (collectively referred to as the “Controlling Shareholders”) except for Eagle Food acquired by the Group during the Relevant Periods. Mr. Wong Siu Man and Mr. Wong Siu Wa are brothers and they are acting in concert, throughout the Relevant Periods on their ownerships and exercise their control collectively over the companies now comprising the Group in respect of all the relevant business activities of these companies.

In preparation of the listing of the Company’s shares on the Growth Enterprise Market of the Stock Exchange (the “Listing”), the companies comprising the Group underwent the Reorganisation as described below.

- (i) On 30 June 2015, HFH Holdings was incorporated with limited liability in the BVI. On incorporation, HFH Holdings had an authorised share capital of US\$50,000, divided into 50,000 shares of US\$1 each. 6,000 shares and 4,000 shares of which were allotted and issued at par to Mr. Wong Siu Man and Mr. Wong Siu Wa, respectively.

On 30 July 2015, Mr. Wong Siu Man transferred 400,000 shares of Ongo Food, of which 50% of the shares was held by Mr. Wong Siu Man for and on behalf of Mr. Wong Siu Wa since incorporated pursuant to a trust deed, representing 80% interest in Ongo Food, to HFH Holdings as part of consideration of allotment of shares of HFH Holdings to Mr. Wong Siu Man and Mr. Wong Siu Wa. On the same date, HFH Holdings acquired 50,000 shares and 50,000 shares of Ongo Food, representing 20% equity interest in Ongo Food in aggregate, from Mr. Ho Kwok Wai and Ms. Yeung Lai Ping for cash consideration of HK\$249,000 and HK\$249,000, respectively. Mr. Ho Kwok Wai and Ms. Yeung Lai Ping are independent third parties. Upon completion of these transfers, Ongo Food has become wholly owned subsidiary of HFH Holdings.

On 15 September 2015, Mr. Wong Siu Man and Mr. Wong Siu Wa transferred their entire equity interest of HFH Food to HFH Holdings as part of consideration of allotment of shares of HFH Holdings to them. Upon the completion of the transfer, HFH Food has become wholly owned subsidiary of HFH Holdings.

On 24 June 2016, Lofty Idea was incorporated as a limited liability company in the BVI without issuance of any share to first subscriber. On 8 July 2016, 10,000 shares of Lofty Idea were allotted and issued at par to HFH Holdings.

- (ii) On 30 July 2015, HFH Holdings acquired 500,000 shares, representing 100% issued share capital, of Eagle Food from Mr. Li Yiu Pong, an independent third party, for a consideration of approximately HK\$322,000. Upon the completion of the acquisition, Eagle Food has become wholly owned subsidiary of HFH Holdings.

On 14 July 2016, the shares held by Mr. Wong Siu Man and Mr. Wong Siu Wa in HFH Holdings were transferred to Sky Alpha in the consideration of the allotment and issue of the 6,000 shares and 4,000 shares of Sky Alpha to Mr. Wong Siu Man and Mr. Wong Siu Wa, respectively.

- (iii) On 29 July 2016, HFH Holdings entered into a subscription agreement with Trillion Advance Investments Limited (“Trillion Advance”), an independent third party. Pursuant to which, Trillion Advance subscribed for 1,600 new shares of HFH Holdings of a cash consideration of HK\$6,000,000. On 16 August 2016, HFH Holdings allotted and issued 8,400 new shares to Sky Alpha at nil consideration. Upon completion of the issue of these new shares by HFH Holdings, Sky Alpha and Trillion Advance held 92% and 8% issued share capital of HFH Holdings, respectively.

- (iv) The Company was incorporated with limited liability on 29 September 2016 in the Cayman Islands. The authorised share capital of the Company, on incorporation, was US\$50,000 divided into 50,000 shares of the Company of US\$1 each. On the same day, 1 share was allotted and issued to Sky Alpha at par. On 30 September 2016, 18,399 shares of the Company and 1,600 shares of the Company were allotted, issued and credited as fully-paid to Sky Alpha and Trillion Advance, respectively, for the transfer of their respective shareholding interest in HFH Holdings. HFH Holdings becomes a wholly-owned subsidiary of the Company.

Upon the completion of the above steps, Sky Alpha and Trillion Advance held equity interest of the Company as to 92% and 8%, respectively.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 30 September 2016. The Company and its subsidiaries have been under the common control of the Controlling Shareholders throughout the Relevant Periods or since their respective dates of incorporation or acquisition, where there is a shorter period.

Accordingly, the Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting For Common Control Combinations” issued by the HKICPA.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Relevant Periods include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or acquisition, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation or acquisition, where applicable.

The Financial Information is presented in HK\$, which is also the functional currency of companies comprising the Group.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on 1 April 2016 throughout the Relevant Periods.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKAS 7	Disclosure initiative ⁴
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

- ⁴ Effective for annual periods beginning on or after 1 January 2017.
- ⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in September 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company have reviewed the Group's financial assets as at 30 September 2016 and anticipate that the application of HKFRS 9 in the future may result in provision of expected credit losses on financial assets and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group's existing business model.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including Hong Kong Accounting Standards ("HKAS") 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in the financial statements based on the existing business model of the Group as at 30 September 2016.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right-to-use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statements of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

As set out in note 27, total operating lease commitment of the Group in respect of leased premises as at 30 September 2016 is amounted to HK\$8,842,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities.

The directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the five elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been consolidated at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less any identified impairment losses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment loss on assets other than financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable

amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, finance lease receivable, amounts due from related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate except for short-term receivables where the recognition of interest would be insignificant.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments*Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

The Group's financial liabilities including trade payables, other payables and accrued charges, consideration payables and amounts due to directors and subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period that related services is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by the employees up to each of the reporting period.

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year/period

Current and deferred tax are recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Allowance for bad and doubtful debts

The allowance for bad and doubtful debts of the Group is estimated based on the evaluation of collectability and ageing analysis of individual trade debts performed by the management of the group. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Allowance for bad and doubtful debts of HK\$270,000, HK\$91,000, HK\$55,000 (unaudited) and HK\$242,000 are charged for the years ended 31 March 2015 and 2016 and six months ended 30 September 2015 and 2016, respectively. As at 31 March 2015 and 2016 and 30 September 2016, the carrying amounts of trade receivables are HK\$17,162,000, HK\$20,655,000 and HK\$20,243,000 respectively.

Allowances for inventories

Management of the Group reviews the inventory ageing analysis at the end of the reporting period in order to identify slow-moving inventory items. Management estimates the net realisable value for inventories based primarily on the latest market prices and current market conditions. In addition, the Group carries out an inventory review on a product-by-product basis at the end of each reporting period and provides necessary allowance if the net realisable value is estimated to be below the cost.

No allowance for inventories are charged for the years ended 31 March 2015 and 2016 and six months period ended 30 September 2015 and 2016, respectively. The carrying amounts of inventories are HK\$7,463,000, HK\$7,675,000 and HK\$9,136,000 as at 31 March 2015 and 2016 and 30 September 2016, respectively.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes amounts due to directors as disclosed in note 19, and equity of the Group, comprising issued share capital, other reserves and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group			The Company
	As at 31 March 2015 HK\$'000	2016 HK\$'000	As at 30 September 2016 HK\$'000	As at 30 September 2016 HK\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	19,937	28,499	34,946	–
Financial liabilities				
Amortised cost	7,685	9,989	12,220	5,899

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, finance lease receivable, amounts due from related companies, bank balances and cash, trade payables, other payables and accrued charges, consideration payables and amounts due to directors. The Company's financial instruments include amounts due to subsidiaries and accrued charges. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group has foreign currency purchases, which accounted for 4%, 4% and 3% of the Group's purchase during the years ended 31 March 2015 and 2016 and six months ended 30 September 2016 which exposes the Group to foreign currency risk. Certain bank balances and trade payables of the Group are denominated in foreign currencies, i.e. Euro ("EUR") and US\$. The carrying amounts of the Group's bank balances and trade payables denominated in foreign currencies at the end of each reporting period are as follows:

	Bank balances			Trade payables		
	As at 31 March		As at 30 September	As at 31 March		As at 30 September
	2015	2016	2016	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
EUR	–	238	7	–	–	–
US\$	–	–	–	(221)	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(221)</u>	<u>–</u>	<u>–</u>

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Since the exchange rate of HK\$ is pegged to US\$, the Group does not expect significant movement in the US\$/HK\$ exchange rate, therefore US\$ is not considered in the sensitivity analysis.

Sensitivity analysis is prepared to demonstrate the effect of foreign exchange differences by 10% change in exchange rate of HK\$ against EUR, assuming all other variables were held constant. A positive number below indicates an increase in post-tax profit where HK\$ strengthens 10% against EUR. For a 10% weakening of the HK\$ against EUR, there would be an equal and opposite impact on the results for the year.

	Year ended 31 March		As at 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Increase in profit for the year/period	<u>–</u>	<u>20</u>	<u>1</u>

Interest rate risk

The Group is exposed to cash flow interest rate risk in bank balances (note 20) as at 31 March 2015 and 2016 and 30 September 2016.

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

In the opinion of management of the Group, the expected change in interest rate will not have significant impact on the interest income or expenses on payments for bank balances, hence sensitivity analysis is not presented.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, finance lease receivable, amounts due from related companies and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position at the end of the reporting period.

Management of the Group adopted a policy on providing credit facilities to new customers. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis. Management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on trade receivables is limited because the Group has large number of customers.

As at 31 March 2015 and 2016, the Group has concentration of credit risk in respect of amounts due from related companies and a former related party. In order to minimise the credit risk, the Group's management continuously monitors the settlement status and the level of exposure to ensure that follow-up action is taken to recover overdue debts. Under such circumstances, the Group's management considers that the Group's credit risk is not material.

The credit risk for bank balances is considered as not material as such amount is placed in banks with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 to 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<u>As at 31 March 2015</u>					
<u>The Group</u>					
Non-derivative financial liabilities					
Trade payables	N/A	–	5,459	5,459	5,459
Other payables and accrued charges	N/A	1,061	–	1,061	1,061
Amounts due to directors	N/A	1,165	–	1,165	1,165
		<u>2,226</u>	<u>5,459</u>	<u>7,685</u>	<u>7,685</u>

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 to 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<u>As at 31 March 2016</u>					
The Group					
Non-derivative financial liabilities					
Trade payables	N/A	–	5,914	5,914	5,914
Other payables and accrued charges	N/A	1,372	–	1,372	1,372
Consideration payables	N/A	360	–	360	360
Amounts due to directors	N/A	2,343	–	2,343	2,343
		<u>4,075</u>	<u>5,914</u>	<u>9,989</u>	<u>9,989</u>

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 to 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<u>As at 30 September 2016</u>					
The Group					
Non-derivative financial liabilities					
Trade payables	N/A	–	6,566	6,566	6,566
Other payables and accrued charges	N/A	3,367	2,287	5,654	5,654
		<u>3,367</u>	<u>8,853</u>	<u>12,220</u>	<u>12,220</u>

<u>As at 30 September 2016</u>					
The Company					
Non-derivative financial liabilities					
Other payables and accrued charges	N/A	–	2,287	2,287	2,287
Amounts due to subsidiaries	N/A	3,612	–	3,612	3,612
		<u>3,612</u>	<u>2,287</u>	<u>5,899</u>	<u>5,899</u>

Fair value of financial instruments

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the fair value of amounts received and receivable from sales of food and beverage grocery products by the Group to external customers, net of discounts and sales returns, and is analysed as follows:

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 <i>(unaudited)</i>	2016 HK\$'000
Commodities and cereal products <i>(Note a)</i>	48,859	54,683	27,224	27,359
Packaged food <i>(Note b)</i>	45,191	52,721	23,768	24,758
Sauce and condiment	26,499	31,648	16,735	18,767
Dairy products and eggs	23,516	28,369	13,051	13,698
Beverage and wine	8,639	11,071	5,050	5,983
Kitchen products <i>(Note c)</i>	3,507	5,252	2,241	3,018
	156,211	183,744	88,069	93,583
	156,211	183,744	88,069	93,583

Notes:

- (a) Commodities and cereal products include rice, wheat flour, noodle products such as ramen and pasta, edible oil as well as sugar and salt.
- (b) Packaged food includes processed products such as meat and vegetables in preserved, canned, frozen and other forms, as well as snacks and pre-packaged food items.
- (c) Kitchen products include food wrap and food-related products such as cling film, baking sheet, foil, cleaning products such as detergent, bleach, liquid soap and others such as tissue paper, toothpick and towel.

Segment information

The Group's operations is solely derived from sales of goods in Hong Kong during the Relevant Periods. For the purposes of resources allocation and performance assessment, the chief operation decision maker (i.e. the executive directors of the Company) (the "CODM") reviews the overall results and financial position of the Group as a whole which prepared based on the same accounting policies as set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

No segment assets and liabilities are presented as the CODM does not regularly review segment assets and liabilities.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of transactions and the Group's property, plant and equipment amounting to HK\$1,762,000, HK\$1,497,000 and HK\$3,091,000 as at 31 March 2015 and 2016 and 30 September 2016 respectively are all located in Hong Kong by physical location of assets.

During each of the year/period included in the Relevant Periods, no single customer accounted for 10% or more of the Group's total revenue.

8. OTHER INCOME AND GAIN AND LOSSES, NET

Other income

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Warehouse storage service income (Note)	373	–	–	–
Consultancy income	–	64	64	–
	<u>373</u>	<u>64</u>	<u>64</u>	<u>–</u>

Note: Service income rendered by the Group represented income from warehouse management and storage service provided to Easy Logistics (as defined in note 19).

Other gain and losses, net

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Gain on disposal of property, plant and equipment	–	10	–	–
Allowance for bad and doubtful debts	(270)	(91)	(55)	(242)
	<u>(270)</u>	<u>(81)</u>	<u>(55)</u>	<u>(242)</u>

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Mr. Wong Siu Man, Mr. Wong Siu Wa, Mr. Yip Kam Cheong ("Mr. Jeremy Yip") and Mr. Wong Chun Hung, Hanson ("Mr. Hanson Wong") were appointed as directors of the Company on 29 September 2016. The emoluments paid or payable to the directors and chief-executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by the entities comprising the Group during the Relevant Periods as:

	Mr. Wong Siu Man HK\$'000	Mr. Wong Siu Wa HK\$'000	Mr. Jeremy Yip HK\$'000	Mr. Hanson Wong HK\$'000	Total HK\$'000
<u>Year ended 31 March 2015</u>					
Fees	–	–	–	–	–
Other emoluments					
Salaries and other benefits	510	510	319	–	1,339
Retirement benefit scheme contributions	18	18	16	–	52
	<u>528</u>	<u>528</u>	<u>335</u>	<u>–</u>	<u>1,391</u>

	Mr. Wong Siu Man <i>HK\$'000</i>	Mr. Wong Siu Wa <i>HK\$'000</i>	Mr. Jeremy Yip <i>HK\$'000</i>	Mr. Hanson Wong <i>HK\$'000</i>	Total <i>HK\$'000</i>
<u>Year ended 31 March 2016</u>					
Fees	-	-	-	-	-
Other emoluments					
Salaries and other benefits	510	510	434	-	1,454
Retirement benefit scheme contributions	18	18	18	-	54
Total emoluments	528	528	452	-	1,508
	Mr. Wong Siu Man <i>HK\$'000</i>	Mr. Wong Siu Wa <i>HK\$'000</i>	Mr. Jeremy Yip <i>HK\$'000</i>	Mr. Hanson Wong <i>HK\$'000</i>	Total <i>HK\$'000</i>
<u>Six months period ended 30 September 2015 (unaudited)</u>					
Fees	-	-	-	-	-
Other emoluments					
Salaries and other benefits	251	251	196	-	698
Retirement benefit scheme contributions	9	9	9	-	27
Total emoluments	260	260	205	-	725
	Mr. Wong Siu Man <i>HK\$'000</i>	Mr. Wong Siu Wa <i>HK\$'000</i>	Mr. Jeremy Yip <i>HK\$'000</i>	Mr. Hanson Wong <i>HK\$'000</i>	Total <i>HK\$'000</i>
<u>Six months period ended 30 September 2016</u>					
Fees	-	-	-	-	-
Other emoluments					
Salaries and other benefits	284	284	282	-	850
Retirement benefit scheme contributions	9	9	9	-	27
Total emoluments	293	293	291	-	877

The emoluments of directors were mainly for their services in connection with management of the affairs of the Company and subsidiaries.

During the Relevant Periods, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any remuneration during the Relevant Periods.

(b) Employees' emoluments

The five highest paid individuals included two, two, two (unaudited) and three directors of the Company whose emoluments are included in the disclosures in (a) above for each of the years ended 31 March 2015 and 2016 and each of the six months ended 30 September 2015 and 2016, respectively. The emoluments of the remaining three, three, three and two individuals for each of the years ended 31 March 2015 and 2016 and each of the six months ended 30 September 2015 (unaudited) and 2016, respectively were as follows:

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Salaries and other benefits	1,282	1,722	1,093	761
Bonus (<i>Note</i>)	–	212	15	–
Retirement benefit scheme contributions	53	50	27	18
	<u>1,335</u>	<u>1,984</u>	<u>1,135</u>	<u>779</u>

Their emoluments were within the following bands:

	Year ended 31 March		Six months ended 30 September	
	2015 Number of employees	2016 Number of employees	2015 Number of employees (unaudited)	2016 Number of employees
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>

Note: Performance bonus is determined by reference to the duties and responsibilities of relevant individual within the Group and the Group's performance.

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FINANCE COSTS

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Interest on: Bank overdrafts	<u>3</u>	<u>–</u>	<u>–</u>	<u>–</u>

11. PROFIT BEFORE TAXATION

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 <i>(unaudited)</i>	2016 HK\$'000
Profit before taxation has been arrived at after charging:				
Auditor's remuneration	54	200	100	900
Depreciation of property, plant and equipment	554	916	475	553
Directors' remuneration (<i>note 9</i>)	1,391	1,508	725	877
Other staff costs				
Salaries and other benefits	5,026	6,252	3,251	3,224
Retirement benefits scheme contributions	208	243	113	142
Total staff costs	6,625	8,003	4,089	4,243
Lease payments under operating leases in respect of land and buildings	2,114	2,947	1,171	2,176
Cost of inventories recognised as an expense	122,319	141,789	68,867	71,627
	<u>122,319</u>	<u>141,789</u>	<u>68,867</u>	<u>71,627</u>

12. INCOME TAX EXPENSE

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 <i>(unaudited)</i>	2016 HK\$'000
Hong Kong Profits Tax:				
– Current tax	1,877	2,384	1,031	1,015
– Overprovision in prior years	(10)	(40)	–	–
	<u>1,867</u>	<u>2,344</u>	<u>1,031</u>	<u>1,015</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation as follows:

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Profit before taxation	<u>11,317</u>	<u>14,585</u>	<u>6,279</u>	<u>1,442</u>
Tax at the domestic income tax rate	1,867	2,407	1,036	238
Tax effect of income not taxable for tax purpose	–	(2)	–	–
Tax effect of expenses not deductible for tax purpose	–	9	–	748
Overprovision in prior years	(10)	(40)	–	–
Utilisation of tax losses previously not recognised	(30)	–	–	–
Others	<u>40</u>	<u>(30)</u>	<u>(5)</u>	<u>29</u>
Tax charge for the year/period	<u>1,867</u>	<u>2,344</u>	<u>1,031</u>	<u>1,015</u>

During the year ended 31 March 2015, assessable profit of HK\$183,000 is absorbed by tax losses brought forward from previous years.

13. DIVIDEND

During the year ended 31 March 2015, HFH Food declared and paid dividend of HK\$7,200,000 (HK\$1.44 per share) to the Controlling Shareholders. During the year ended 31 March 2016, HFH Holdings declared and paid dividend of HK\$4,300,000 (HK\$430 per share) to the Controlling Shareholders.

During the six months ended 30 September 2015 and 2016, HFH Holdings declared and paid dividends of HK\$1,700,000 (HK\$170 per share) and HK\$700,000 (HK\$70 per share) to the Controlling Shareholders.

Other than disclosed above, no dividend was paid or declared by any group entity during the Relevant Periods.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following date:

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Earnings:				
Earnings for the purpose of calculating basic earnings per share (profit for the year/period attributable to owners of the Company)	<u>9,040</u>	<u>12,056</u>	<u>5,063</u>	<u>427</u>
	'000	'000	'000	'000
Number of shares:				
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>751,934</u>	<u>751,934</u>	<u>751,934</u>	<u>769,118</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Share Redenomination (as defined in Section B of this report), the Reorganisation and the capitalisation issue as described in Appendix IV to the Prospectus has been effective on 1 April 2014.

No diluted earnings per share for the Relevant Periods was presented as there were no potential ordinary shares in issue during the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 April 2014	1,427	119	573	190	2,309
Additions	493	102	222	–	817
At 31 March 2015	1,920	221	795	190	3,126
Additions	–	25	159	–	184
Acquisition of a subsidiary	82	238	147	–	467
Disposals/written-off	(300)	–	–	(190)	(490)
At 31 March 2016	1,702	484	1,101	–	3,287
Additions	1,626	127	394	–	2,147
At 30 September 2016	3,328	611	1,495	–	5,434
DEPRECIATION					
At 1 April 2014	336	36	259	179	810
Provided for the year	321	56	174	3	554
At 31 March 2015	657	92	433	182	1,364
Provided for the year	602	121	185	8	916
Eliminated on disposals/ written-off	(300)	–	–	(190)	(490)
At 31 March 2016	959	213	618	–	1,790
Provided for the period	351	100	102	–	553
At 30 September 2016	1,310	313	720	–	2,343
CARRYING AMOUNTS					
At 31 March 2015	1,263	129	362	8	1,762
At 31 March 2016	743	271	483	–	1,497
At 30 September 2016	2,018	298	775	–	3,091

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over shorter of lease terms or four years
Plant and machinery	30%
Furniture and fixtures	20%
Motor vehicles	30%

16. FINANCE LEASE RECEIVABLE

A motor vehicle of the Group is leased out to Easy Logistics (as defined in note 19) under finance lease. The interest rate inherent in the lease is fixed at the contract date over the lease term.

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
Presented as non-current asset	166	87	55
Presented as current asset	63	63	63
	<u>229</u>	<u>150</u>	<u>118</u>

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 March	As at	As at 31 March	As at	As at	As at
	2015	2016	2016	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance lease receivable comprise:						
Within one year	63	63	63	63	63	63
In more than one year but not more than two years	63	63	55	63	63	55
In more than two years but not more than five years	103	24	–	103	24	–
	<u>229</u>	<u>150</u>	<u>118</u>	<u>229</u>	<u>150</u>	<u>118</u>
Less: unearned finance income	–	–	–	N/A	N/A	N/A
Present value of minimum lease payment receivable	<u>229</u>	<u>150</u>	<u>118</u>	<u>229</u>	<u>150</u>	<u>118</u>

17. TRADE RECEIVABLES

The Group grants credit terms of 0 – 90 days to its customers from the date of invoices. An ageing analysis of the trade receivables is presented based on the invoice date, which approximates the date of delivery of goods, at the end of the reporting period.

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
0 – 30 days	10,514	13,488	12,520
31 – 60 days	5,784	5,879	6,372
61 – 90 days	626	890	931
Over 90 days	238	398	420
	<u>17,162</u>	<u>20,655</u>	<u>20,243</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 98%, 98% and 98% of trade receivables as at 31 March 2015 and 2016 and 30 September 2016, respectively, that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectibility and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each client.

The Group has recognised an allowance of bad and doubtful debts of HK\$270,000, HK\$91,000, HK\$55,000 (unaudited) and HK\$242,000 during the year ended 31 March 2015 and 2016 and six months ended 30 September 2015 and 2016, respectively, as the directors of the Company considered that credit quality of these debtors are in doubt. The loss has been included in "other gain and losses, net" in the consolidated statements of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

Movement of provision of trade receivables is as follows:

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Impairment losses recognised	270	91	55	242
Amounts written-off as uncollectible	(270)	(91)	(55)	(242)
Balance at the end of the year/period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$270,000, HK\$91,000, HK\$55,000 (unaudited) and HK\$242,000 during the year ended 31 March 2015 and 2016 and the six months ended 30 September 2015 and 2016, respectively, which credit quality of these debtors are in doubt.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$352,000, HK\$504,000 and HK\$474,000 which are past due at 31 March 2015 and 2016 and 30 September 2016, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 103 days, 101 days and 117 days as at 31 March 2015 and 2016 and 30 September 2016, respectively.

Ageing analysis of trade receivables which are past due but not impaired

	As at 31 March		As at 30 September
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Within 90 days	114	106	54
Over 90 days	<u>238</u>	<u>398</u>	<u>420</u>
	<u>352</u>	<u>504</u>	<u>474</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period. The trade receivables past due but not provided for as at the end of each reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and the directors of the Company believe that no further impairment is required.

18. OTHER RECEIVABLE, DEPOSITS AND PREPAYMENTS

	The Group			The Company
	As at 31 March		As at	As at
	2015	2016	30 September	30 September
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental and utilities deposits	537	766	1,685	–
Prepayments to suppliers	265	841	502	–
Prepayments	–	215	392	247
Deferred listing expenses	–	–	1,393	1,393
Other receivable	–	20	30	–
Total	<u>802</u>	<u>1,842</u>	<u>4,002</u>	<u>1,640</u>
Presented as non-current assets	505	764	1,654	–
Presented as current assets	<u>297</u>	<u>1,078</u>	<u>2,348</u>	<u>1,640</u>
Total	<u>802</u>	<u>1,842</u>	<u>4,002</u>	<u>1,640</u>

19. AMOUNTS DUE FROM/TO RELATED COMPANIES/DIRECTORS

Amounts due from related companies

Amounts are unsecured, interest-free and are repayable on demand.

Details of amounts due from related companies, which are non-trade nature, are as follows:

Name	Maximum amount outstanding						
	As at	As at 31 March		As at	During the year		During the six months
	1 April	2015	2016	30 September	ended 31 March	ended	ended
	2014	2015	2016	2016	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hung Fat Ho (note i)	728	502	982	–	1,174	2,080	1,665
Easy Logistics Limited (“Easy Logistics”) (note ii)	413	537	–	–	661	537	–
Fortress Day Limited (“Fortress Day”) (note iii)	<u>6,391</u>	<u>49</u>	<u>–</u>	<u>–</u>	<u>7,349</u>	<u>289</u>	<u>–</u>
	<u>7,532</u>	<u>1,088</u>	<u>982</u>	<u>–</u>			

Notes:

- (i) Hung Fat Ho is an unlimited entity incorporated in Hong Kong which is 50% and 50% owned by Mr. Wong Siu Man and Mr. Wong Siu Wa respectively. During the Relevant Periods, Hung Fat Ho collected settlement of certain trade receivables of the Group on the Group's behalf. The balances above represented the settlement of trade receivables collected by Hung Fat Ho but yet transferred back to the Group as at each reporting year/period. No service fee was charged during the Relevant Periods for this service and such arrangement was terminated in August 2016.
- (ii) Easy Logistics is a company engaged in provision of logistic service in Hong Kong, which was 50% held by Mr. Wong Siu Man and 20% held by Mr. Wong Siu Wa in prior years. Mr. Wong Siu Man and Mr. Wong Siu Wa disposed of all of their interests in Easy Logistics on 1 April 2015 to independent third parties.
- (iii) Fortress Day is a company incorporated in Hong Kong and is 70% held by Mr. Wong Siu Man and the remaining 30% is held by the spouse of Mr. Wong Siu Man.

Amounts due to directors

Details of amounts due to directors, which are non-trade nature, unsecured, interest-free and repayable on demand, are as follows:

Name	As at 31 March		As at
	2015	2016	30 September 2016
	HK\$'000	HK\$'000	HK\$'000
Mr. Wong Siu Man	925	2,343	–
Mr. Wong Siu Wa	240	–	–
	<u>1,165</u>	<u>2,343</u>	<u>–</u>

Note: Included in amounts due to directors at 31 March 2015, HK\$600,000 were dividend payables to Mr. Wong Siu Man and Mr. Wong Siu Wa, which were distributed during the year ended 31 March 2016.

20. BANK BALANCES AND CASH

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate from 0% to 0.0001% per annum, 0% to 0.0001% per annum and 0% to 0.0001% per annum as at 31 March 2015 and 2016 and 30 September 2016, respectively.

21. TRADE PAYABLES

The credit period for purchases of goods is 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 March		As at
	2015	2016	30 September 2016
	HK\$'000	HK\$'000	HK\$'000
Trade payables:			
0 – 30 days	4,490	5,584	6,518
31 – 60 days	969	330	48
	<u>5,459</u>	<u>5,914</u>	<u>6,566</u>

22. OTHER PAYABLES AND ACCRUED CHARGES

	The Group		The Company	
	As at 31 March 2015	As at 31 March 2016	As at 30 September 2016	As at 30 September 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued charges	485	355	4,248	2,287
Salaries and bonus payables	368	881	1,057	–
Other payables	208	136	349	–
	<u>1,061</u>	<u>1,372</u>	<u>5,654</u>	<u>2,287</u>

23. ISSUED SHARE CAPITAL

The share capital of the Group at 1 April 2014 and 31 March 2015 represent the aggregate share capital of HFH Food and Ongo Food directly held by the Controlling Shareholders prior to the Reorganisation. The balance of the share capital at 31 March 2016 represent the share capital of HFH Holdings. The share capital of the Group as at 30 September 2016 represented the share capital of the Company.

The Company

	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary share of US\$1 each		
Authorised:		
At 29 September 2016 (date of incorporation) and 30 September 2016	50,000	390
Issued and fully paid:		
At 29 September 2016 (date of incorporation)	1	–
Issue of shares upon reorganisation	19,999	156
At 30 September 2016	20,000	156

24. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable in demand.

25. ACQUISITION OF A SUBSIDIARY

On 30 July 2015, the Group entered into a sale and purchase agreement with Mr. Li Yiu Pong, an Independent Third Party, to acquire the entire issued equity interest of Eagle Food for a total cash consideration of approximately HK\$322,000. Eagle Food is principally engaged in the business grocery and general trading in the Hong Kong. The primary reason for the acquisition is for the expansion of the Group's business and to increase returns to its shareholders. The fair value of the assets acquired and liabilities recognised at the date of acquisition are determined by Steinberg Appraisal and Consulting (Hong Kong) Limited, an independent valuer, and its address is Room 2002, On Hong Commercial Building, 145 Hennessy Road, Wanchai, Hong Kong.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	467
Trade and other receivables	1,307
Deposits and prepayments	274
Bank balances and cash	679
Trade and other payables and accrued charges	(373)
Amount due to Mr. Wong Siu Man	(2,032)
	<u>322</u>

Net cash inflow arising on acquisition of Eagle Food:

	<i>HK\$'000</i>
Cash consideration	(322)
Less: Bank balances and cash acquired	679
Net cash inflow generated from acquisition of Eagle Food	<u>357</u>

The fair value of trade and other receivables at the date of acquisition amounted to HK\$1,307,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK\$1,307,000 at the date of acquisition.

During the year ended 31 March 2016, Eagle Food contributed HK\$9,506,000 to the Group's revenue and HK\$360,000 to the Group's profit for the period between the respective date of acquisition and 31 March 2016.

Had the above acquisition been effected at 1 April 2015, the total amount of revenue of the Group for the year ended 31 March 2016 would have been approximately HK\$185,740,000 and the amount of the profit for the year would have been approximately HK\$12,233,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed as at 1 April 2015, nor is it intended to be a projection of future results.

26. CHANGE OF GROUP'S INTEREST IN A SUBSIDIARY

On 30 July 2015, the Group entered into sale and purchase agreements and supplementary agreements with two non-controlling shareholders of Ongo Food. Pursuant to the agreements, the Group has agreed to acquire 20% of the entire issued equity interest of Ongo Food, in aggregate, from these two non-controlling shareholders of Ongo Food at an aggregate consideration of HK\$498,000, which comprises of i) a cash consideration of HK\$138,000 which is payable upon completion of the acquisition and ii) a deferred consideration payable of HK\$360,000 which is payable by the end of September 2016. The deferred consideration payable was subsequently settled on 30 September 2016.

Subsequent to this acquisition, Ongo Food has become a wholly-owned subsidiary of the Group. This acquisition was completed on 30 July 2015.

27. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March		As at
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
			<i>HK\$'000</i>
Within one year	1,896	3,031	4,906
In the second to fifth year inclusive	2,718	1,535	3,936
	<u>4,614</u>	<u>4,566</u>	<u>8,842</u>

The above operating lease payments represents rental payable by the Group for office premises and warehouses for the Relevant Periods. Leases are negotiated for lease term of three to four years and rentals are fixed over the relevant lease term. The lease agreement entered into between the landlord and the Group includes a renewal option, which is at the Group's discretion, for a further 3 years from the end of the lease without a predetermined rental. Accordingly, this is not included in the above commitment.

28. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, the Group had the following transactions with its related parties during the Relevant Periods:

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Transportation expenses paid to Easy Logistics (<i>Note</i>)	9,864	–	–	–
Warehouse storage service income from Easy Logistics	360	–	–	–
Consultancy income from Eagle Food before acquisition by the Group	–	64	64	–
Consultancy expenses paid to Easy Logistics	–	13	–	–

Note: As disclosed in note 19, Mr. Wong Siu Man and Mr. Wong Siu Wa disposed of all of their interests in Easy Logistics on 1 April 2015 to independent third parties. Subsequent to the disposal, Easy Logistics is no longer being a related party of the Group. During the year ended 31 March 2016 and the six months ended 30 September 2015 (unaudited) and 2016, Easy Logistics provided HK\$11,727,000, HK\$5,800,000 (unaudited) and HK\$5,428,000 transportation services to the Group respectively.

Details of the balances with directors and related companies at the end of each reporting period are disclosed in the consolidated statements of financial position, consolidated statements of cash flows and note 19 to the Financial Information.

During the Relevant Periods, Fortress Day pledged a property and Mr. Wong Siu Man and Mr. Wong Siu Wa provided unlimited personal guarantees to a bank, which granted a banking facility to the Group.

The directors of the Company represented to us that the pledge provided by Fortress Day and guarantees provided by Mr. Wong Siu Man and Mr. Wong Siu Wa will be released prior to the Listing.

Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 31 March 2015 and 2016 and the six months ended 30 September 2015 and 2016 were as follows:

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Short-term benefits	2,675	3,564	1,661	1,905
Post-employment benefits	110	118	59	62
	<u>2,785</u>	<u>3,682</u>	<u>1,720</u>	<u>1,967</u>

29. RETIREMENT BENEFITS SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. Effective from 1 June 2014, the cap of contribution amount has been changed from HK\$1,250 to HK\$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the consolidated statements of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in note 11.

30. SETTLEMENT GUARANTEE

As at 31 March 2015, 2016 and 30 September 2016, settlement guarantee of HK\$420,000, HK\$420,000 and HK\$420,000 respectively were given by a bank in favour of the Group's supplier. If the Group fails to settle its trade payables to the supplier, such supplier may demand the bank to pay to it the sum or sum stipulated in such demand. The Group will become liable to compensate the bank accordingly. The settlement guarantee will be released only if (i) the Group settles all its trade payables outstanding to the supplier and (ii) submits a request to cancel the settlement guarantee to the bank. The settlement guarantee was granted under the banking facility with details in note 28.

31. RESERVES OF THE COMPANY

	Other reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 29 September 2016 (date of incorporation)	–	–	–
Loss for the period	–	(4,259)	(4,259)
Reserve arising from Reorganisation	29,966	–	29,966
Capital injection from a shareholder	2,000	–	2,000
	<u> </u>	<u> </u>	<u> </u>
At 30 September 2016	<u>31,966</u>	<u>(4,259)</u>	<u>27,707</u>

(B) SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Financial Information, subsequent event to the Group is detailed as below:

The authorised share capital of the Company was increased from US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each to the aggregate of (i) US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each and (ii) HK\$390,000 divided into 39,000,000 shares of a par value of HK\$0.01 each, by the creation of an additional 39,000,000 shares with a par or nominal value of HK\$0.01 each (the "Variation of Capital"). Upon the Variation of Capital becoming effective, the Company issued 14,352,000 shares of a par value of HK\$0.01 each to Sky Alpha and 1,248,000 shares of par value of HK\$0.01 to Trillion Advance, immediately after which the Company then repurchased 18,400 shares of a par value of US\$1.00 from Sky Alpha and 1,600 shares of a par value of US\$1.00 from Trillion Advance respectively. Immediately after the repurchase of the US\$ denominated shares of the Company

being effected, the authorised share capital of the Company was reduced by the cancellation of 50,000 shares of a par value of US\$1.00 each, such that the authorised share capital of the Company became HK\$390,000 divided into 39,000,000 shares (collectively known as “Share Redenomination”) of a par value of HK\$0.01 each.

Pursuant to the extraordinary general meeting of all shareholders of the Company held on 27 March 2017, it was resolved, among other things, that:

- (i) the Company has conditionally adopted a share option scheme, the principal terms of which are set out in the section headed “Statutory and general information – D. Share Option Scheme” in Appendix IV to the Prospectus;
- (ii) the authorised share capital of the Company was increased to HK\$20,000,000 divided into 2,000,000,000 shares of the Company of HK\$0.01 each by the creation of an additional 1,961,000,000 shares of the Company; and
- (iii) conditional upon the share premium account of the Company being credited as a result of the issue of the placing shares pursuant to the placing, the Directors were authorised to allot and issue a total of 824,400,000 shares of the Company, credited as fully-paid at par, to shareholders of the Company whose names appear of the register of members of the Company at close of business on 27 March 2017 in proportion to their then respective shareholdings by way of capitalisation of the sum of HK\$8,244,000 standing to the credit of the share premium account of the Company, and such shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued shares of the Company.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 30 September 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the two years ended 31 March 2016 and the six months ended 30 September 2016 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants (the "Accountants' Report"), as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of the Group as if the Share Offer had taken place on 30 September 2016.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2016 or any future date following the Share Offer.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2016 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2016 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2016 HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2016 per Share HK\$ (Note 3)
Based on Offer Price of HK\$0.29 per Offer Share	35,748	63,623	99,371	0.09
Based on Offer Price of HK\$0.21 per Offer Share	35,748	41,895	77,643	0.07

Notes:

1. The audited consolidated net tangible assets attributable to owners of the Company is extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 280,000,000 Offer Shares at Offer Price of lower limit and upper limit of HK\$0.21 and HK\$0.29 per Offer Share, respectively, after taking into account the estimated underwriting fees and other related expenses to be incurred by the Group since 1 October 2016. The calculation of such estimated net proceeds does not take into 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, Offer Size Adjustment Option or any Shares which may be issued or repurchase Shares referred to in the section headed "Share Capital – General Mandate to Issue Shares" or the section headed "Share Capital – General Mandate to Repurchase Shares" in this prospectus.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2016 per Share is arrived at on the basis that 1,120,000,000 Shares were in issue assuming that the redenomination of authorised share capital as stated in page 77 of this prospectus, the Share Offer and the Capitalisation Issue had been completed on 30 September 2016 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under Share Option Scheme, Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "Share Capital – General Mandate to Issue Shares" or the section headed "Share Capital – General Mandate to Repurchase Shares" in this prospectus.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2016 to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2016.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Asia Grocery Distribution Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Asia Grocery Distribution Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 September 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 31 March 2017 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed share offer of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Share Offer") on the Group's financial position as at 30 September 2016 as if the proposed Share Offer had taken place at 30 September 2016. 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 two years ended 31 March 2016 and the six months ended 30 September 2016, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2016 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 unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2017

SUMMARY OF THE CONSTITUTION OF THE COMPANY**1 Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on 27 March 2017 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in this prospectus.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on 27 March 2017 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each.

2.2 *Directors***(a) *Power to allot and issue Shares***

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment 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 first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the

Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the GEM Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) 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 any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

- (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (v) any contract or arrangement in which the Director or any of his close associates 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.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or 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 (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths 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 specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association 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 held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the GEM Listing Rules to be voted on by 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 proxy(ies) or representative(s) at any general meeting of the Company or at any general 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 entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and 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 of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall 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 of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or

dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, 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 Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the GEM Listing Rules as the Directors may determine for each inspection.

2.18 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, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company 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 of the Company 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 in a winding up 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 amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any 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 of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**1 Introduction**

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 September 2016 under the Companies Law. As such, its 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 size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

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 premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia 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 a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (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) in 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;

- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any 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, 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.

Subject to the detailed provisions of the Companies Law, 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. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors 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 member of the company holding 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company 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 to act 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.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of 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 (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class 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 where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, 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.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) 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.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. 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.

10 Inspection of Books and Records

Members of a company will 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 of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand 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 and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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.

16 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 Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 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.

19 Taxation

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 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 not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of the Companies Law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of the Companies Law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated as an exempted company in the Cayman Islands under the Companies Law with limited liability on 29 September 2016. Our principal place of business is 4/F, How Ming Factory Building, 99 How Ming Street, Kwun Tong, Kowloon, Hong Kong and we have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Wong Siu Man and Mr. Chan Po Chak have been appointed as our authorised representatives in Hong Kong for acceptance of service of process and notices in Hong Kong. The address for service of process in Hong Kong is the same as our principal place of business.

As we were incorporated in the Cayman Islands, we operate subject to Cayman Islands law and our constitution comprising the Memorandum and Articles of Association. A summary of various provisions of the Articles and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

Our Company was incorporated on 29 September 2016. As at the date of incorporation, our Company had an authorised share capital of US\$50,000 divided into 50,000 Shares of US\$1.00 each. On the same date, one fully paid Share was issued to our Company's initial subscriber, and such Share was transferred to Sky Alpha on the same day. On 30 September 2016, a further 18,399 fully paid Shares and 1,600 fully paid Shares were issued to Sky Alpha and Trillion Advance.

Pursuant to the resolutions passed at the extraordinary general meeting of our Shareholders held on 27 March 2017, the authorised share capital of our Company was increased from US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each to the aggregate of (i) US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each and (ii) HK\$390,000 divided into 39,000,000 shares of a par value of HK\$0.01 each, by the creation of an additional 39,000,000 shares with a par or nominal value of HK\$0.01 each (the "**Variation of Capital**"). Upon the Variation of Capital becoming effective, our Company issued 14,352,000 shares of a par value of HK\$0.01 each to Sky Alpha and 1,248,000 Shares of par value of HK\$0.01 to Trillion Advance, immediately after which the Company then repurchased 18,400 Shares of a par value of US\$1.00 from Sky Alpha and 1,600 Shares of a par value of US\$1.00 from Trillion Advance respectively. Immediately after the repurchase of the US\$ Shares being effected, the authorised share capital of our Company was reduced by the cancellation of 50,000 Shares of a par value of US\$1.00 each, such that the authorised share capital of the Company became HK\$390,000 divided into 39,000,000 Shares.

The authorised share capital of our Company was then increased to HK\$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,962,000,000 Shares, pursuant to the resolutions passed at the extraordinary general meeting of our Shareholders held on 27 March 2017.

Immediately after completion of the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares that may be issued upon the exercise of any options which may be granted under the Share

Option Scheme), the authorised share capital of our Company will be HK\$20,000,000 divided into 2,000,000,000 Shares, of which 1,120,000,000 Shares will be allotted and issued as fully paid or credited as fully paid and 880,000,000 Shares will remain unissued.

Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraphs headed “5. Extraordinary general meeting of our Shareholders held on 27 March 2017” and “6. Repurchase by our Company of its own securities” in this section below and the exercise of the options which may be granted under the Share Option Scheme, the Directors do not have any present intention to allot and issue any of the authorised but unissued share capital of our Company and, without 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 above and in the section headed “Share Capital” in this prospectus, there has been no alteration to our Company’s share capital since its incorporation.

3. Reorganisation

In preparation for the Listing of the Shares on the Stock Exchange, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group. Our Reorganisation involved the following major steps:

- (1) **Incorporation of HFH Holdings and Lofty Idea and the acquisition of HFH Food, Eagle Food and Ongo Food:** On 30 June 2015, HFH Holdings was incorporated with limited liability in the BVI with an authorised share capital of US\$50,000, divided into 50,000 shares of US\$1.00 each. On the same day, 6,000 shares and 4,000 shares of HFH Holdings were issued and allotted, fully-paid, to Mr. Wong Siu Man and Mr. Wong Siu Wa, respectively. On 30 July 2015, HFH Holdings acquired 50,000 shares and 50,000 shares of Ongo Food from Mr. Ho Kwok Wai, Ms. Yeung Lai Ping for a consideration of HK\$1,991,036, HK\$248,880 and HK\$248,880, respectively. On 30 July 2015, Mr. Wong Siu Man also transferred his entire shareholding interest in Ongo Food (of which half were held on behalf of Mr. Wong Siu Wa) to HFH Holdings. On 30 July 2015, HFH Holdings acquired 500,000 shares of Eagle Food from Mr. Li Yiu Pong for a consideration of HK\$321,613. On 15 September 2015, Mr. Wong Siu Man and Mr. Wong Siu Wa transferred 2,500,000 shares and 2,500,000 shares of HFH Food to HFH Holdings, respectively. On 24 June 2016, Lofty Idea was incorporated as a limited liability company in the BVI. On 8 July 2016, 10,000 shares of Lofty Idea were issued and allotted, fully-paid, to HFH Holdings. In consideration of Mr. Wong Siu Man and Mr. Wong Siu Wa’s transfer of their shareholding interest in Ongo Food and HFH Food to HFH Holdings and Mr. Wong Siu Wa’s repayment of a personal loan (in the amount equal to approximately 10% of the net asset value of HFH Holdings immediately after the transfer of shares of Ongo Food, HFH Food and Eagle Food to HFH Holdings and the incorporation of Lofty Idea) previously borrowed by Mr. Wong Siu Wa from Mr. Wong Siu Man for the purchase of his residence, HFH Holdings on incorporation allotted and issued 6,000 and 4,000 shares to Mr. Wong Siu Man and Mr. Wong Siu Wa, respectively. On 14 July 2016, 6,000 shares and 4,000 shares of HFH Holdings owned by Mr. Wong Siu Man and Mr. Wong Siu Wa were transferred to Sky Alpha in the exchange of 6,000 shares and 4,000 shares of Sky Alpha issued to Mr. Wong

Siu Man and Mr. Wong Siu Wa, respectively. On 16 August 2016, an addition of 8,400 shares of HFH Holdings were allotted and issued to Sky Alpha and Sky Alpha held 18,400 shares of HFH Holdings immediately after.

- (2) **Pre-IPO Investment of Trillion Advance:** On 29 July 2016, Trillion Advance subscribed for 1,600 shares of HFH Holdings in consideration of the pre-IPO investment of Trillion Advance in our Group. As a result of the pre-IPO investment, each of Sky Alpha and Trillion Advance owned 92% and 8% of the shareholding interest of HFH Holdings.
- (3) **Pre-IPO Investment of Glory Concord:** On 14 September 2016, Glory Concord subscribed for 540 shares of Sky Alpha at a consideration of HK\$2 million. Glory Concord is owned as to 50% by Grand Clover and 50% by Delta Group. Grand Clover is wholly owned by Mr. Chow Lap King Brian. Delta Group is wholly owned by Anka Capital which is owned as to 50% by Mr. Tam Cheuk Ho and 50% by Mr. Wong Wah On Edward. On the same day, 540 shares of Sky Alpha were allotted and issued to Glory Concord. As a result of the pre-IPO investment, each of Mr. Wong Siu Man, Mr. Wong Siu Wa and Glory Concord owned 58.38%, 38.92% and 2.7% of the shareholding interest of Sky Alpha.
- (4) **Incorporation of our Company and share swap:** On 29 September 2016, our Company was incorporated with limited liability in the Cayman Islands with an authorised share capital of US\$50,000 divided into 50,000 Shares of US\$1.00 each. On the same day, one fully paid Share was issued to the subscriber and such Share was transferred to Sky Alpha on the same day. In consideration of Sky Alpha and Trillion Advance's transfer of their respective shareholding interest in HFH Holdings to our Company, our Company allotted and issued 18,399 Shares and 1,600 Shares to Sky Alpha and Trillion Advance, respectively. As a result of the share swap, each of Sky Alpha and Trillion Advance owned 92% and 8% of the shareholding interest of our Company.

Following the completion of the above steps, our Company was owned by Sky Alpha and Trillion Advance, and our Company became the holding company of our Group.

Further details are set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus.

4. Changes in share capital of the subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus, there has been no alteration to the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

5. Extraordinary general meeting of our Shareholders held on 27 March 2017

Extraordinary general meeting of our Shareholders were held on 27 March 2017 approving, among others, the following:

- (a) conditional upon (1) the Listing Division of the Stock Exchange granting the listing of, and the permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer and the Shares to be issued upon exercise of the Share Options and such listing and permission not subsequently having been revoked prior to the Listing Date; (2) the Offer Price having been duly agreed between the Joint Bookrunners and our Company; and (3) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the Underwriting Agreements, on or before such date as may be specified in the Underwriting Agreement:
 - (i) the proposed Share Offer and the Offer Size Adjustment Option were approved and the Directors were authorised to approve the allotment and issue of the 280,000,000 Offer Shares pursuant to the Share Offer subject and the 42,000,000 Offer Shares pursuant to the Offer Size Adjustment Option to the terms and conditions thereof as set out in this prospectus;
 - (ii) the proposed Listing was approved and the Directors were authorised to implement the Listing;
 - (iii) the Share Option Scheme, the principal terms of which are set out in “– E. Share Option Scheme” below in this Appendix, were approved and adopted and the Directors or any committee established by our Board were authorised, at their sole discretion, to (aa) administer the Share Option Scheme; (bb) modify/amend the Share Option Scheme from time to time as required by the Stock Exchange; (cc) grant Share Options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (dd) allot, issue and deal with the Shares pursuant to the exercise of any of the Share Options which may be granted under the Share Option Scheme; (ee) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the Share Options which may be granted under the Share Option Scheme; and (ff) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme; and

- (iv) the general mandate, which is a general unconditional mandate was given to the Directors to allot, issue and deal with (including to make or grant offers, agreements and options, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or any arrangement that would be regulated under Chapter 20 of the GEM Listing Rules or any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association or pursuant to a specific authority granted by the Shareholders in general meeting(s) or any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of our Company or any securities which are convertible into Shares, Shares with a total nominal value not exceeding 20% of the entire issued share capital immediately following completion of the Capitalisation Issue and the Share Offer, such general mandate to remain in effect until the conclusion of our next annual general meeting unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions, or the expiration of the period within which our next annual general meeting is required to be held under any applicable Cayman Islands law or our Articles, or the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate, which occurs first;
- (v) the repurchase mandate, which is a general unconditional mandate was given to the Directors authorising them to exercise all powers to repurchase Shares on the Stock Exchange or on any other approved stock exchange on which our securities may be listed and which is recognised by the SFC and Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or requirements of the GEM Listing Rules or of any other stock exchange on which our securities may be listed, as amended from time to time such number of Shares will represent up to 10% of the aggregate nominal amount of our entire issued share capital immediately following completion of the Capitalisation Issue and the Share Offer, such repurchase mandate to remain in effect until the conclusion of our next annual general meeting unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions, or the expiration of the period within which our next annual general meeting is required to be held under any applicable Cayman Islands law or our Articles, or until the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate, whichever occurs first;
- (vi) the general mandate in paragraph (iv) above be extended by the addition to the aggregate nominal value of our share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors under such general mandate of an amount representing the aggregate nominal value of our share capital repurchased by us pursuant to the repurchase mandate referred to in paragraph (v) above;

- (b) for redenomination of Shares from a par value of US\$1.00 each to HK\$0.01 each, the authorised share capital of our Company was increased from US\$50,000 divided into 50,000 Shares of a par value of US\$1.00 each to the aggregate of (i) US\$50,000 divided into 50,000 Shares of a par value of US\$1.00 each and (ii) HK\$390,000 divided into 39,000,000 Shares of a par value of HK\$0.01 each, by the creation of an additional 39,000,000 Shares with a par or nominal value of HK\$0.01 each (the “Variation of Capital”). Upon the Variation of Capital becoming effective, the Company issued 14,352,000 Shares of a par value of HK\$0.01 each to Sky Alpha and 1,248,000 Shares of a par value of HK\$0.01 to Trillion Advance, immediately after which our Company then repurchased 18,400 Shares of a par value of US\$1.00 from Sky Alpha and 1,600 Shares of a par value of US\$1.00 from Trillion Advance respectively. Immediately after the repurchase of the US\$ denominated Shares being effected, the authorised share capital of our Company was reduced by the cancellation of 50,000 Shares of a par value of US\$1.00 each, such that the authorised share capital of our Company became HK\$390,000 divided into 39,000,000 Shares of a par value of HK\$0.01 each;
- (c) the authorised share capital of our Company was increased to HK\$20,000,000 divided into 2,000,000,000 Shares of a par value of HK\$0.01 each by the creation of an additional 1,961,000,000 Shares;
- (d) conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, the Directors were authorised to allot and issue on the Listing Date a total of 824,400,000 Shares, credited as fully-paid at par, to our Shareholders whose names appear of the register of members of our Company at close of business on 27 March 2017 in proportion to their then respective shareholdings by way of capitalisation of the sum of HK\$8,244,000 standing to the credit of the share premium account of our Company, and such Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with the existing issued Shares; and
- (e) our Articles were conditionally adopted in substitution for and to the exclusion of the existing articles of association of our Company with effect from the Listing Date.

6. Repurchase by our Company of its own securities

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) *Shareholders’ approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the GEM must be approved in advance by an ordinary resolution, either by way of general mandate or by special approval of a particular transaction. Our Company’s sole listing will be on the Stock Exchange.

Note: Pursuant to a resolution passed by the Shareholders of our Company on 27 March 2017, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorising any repurchase by our Company of the Shares on the GEM, or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal value of our entire issued share capital immediately following the completion of the Share Offer and the Capitalisation Issue, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or applicable laws of the Cayman Islands to be held, or when revoked, varied or renewed by ordinary resolution of the Shareholders, whichever shall first occur.

Under the GEM Listing Rules and the Companies Ordinance, the shares which are proposed to be purchased by a company must be fully paid up.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of our Company and our Shareholders as a whole to have general authority from the Shareholders of 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 value and the assets of our Company and/or the earnings per Share and will only be made when the Directors believe that such repurchases will benefit our Company and the Shareholders as a whole.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with our Memorandum and Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our Group’s current financial position as disclosed in this prospectus and taking into account our Group’s current working capital position, the Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on our Group’s working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on our Group’s working capital requirements or the gearing levels which in the opinion of the Directors are from time to time appropriate to our Group.

(d) *General*

None of the Directors or, any of their associates currently intends to sell Shares to our Company or the subsidiaries of our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

No connected person has notified us that he has a present intention to sell Shares to our Company, or has undertaken to do so.

No purchase of Shares has been made by our Company since the date of our incorporation.

If as a result of a securities repurchase a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, the Shareholder or a group of the Shareholders of our Company acting in concert could obtain or consolidate our Company's control and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code and the provision may apply as a result of any such increase. The Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are, or may be, material:

- (a) the Public Offer Underwriting Agreement;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-competition;
- (d) the First Subscription Agreement;
- (e) the First Shareholders Agreement;
- (f) the Second Shareholders Agreement;
- (g) the sale and purchase agreement dated 30 July 2015 entered into between Hung Fat Ho Holdings Limited and Mr. Ho Kwok Wai (the "**First Ongo SPA**") in relation to the transfer of 10% of shareholding interest in Ongo Food Limited from Mr. Ho Kwok Wai to Hung Fat Ho Holdings Limited for a consideration based on the net asset value of Ongo Food;
- (h) the supplemental sale and purchase agreement to the First Ongo SPA, dated 30 July 2015 entered into between Hung Fat Ho Holdings Limited and Mr. Ho Kwok Wai in relation to the distribution of dividends of Ongo Food Limited in proportion to Mr. Ho Kwok Wai's shareholding to him with a maximum of HK\$1.8 million in dividends;
- (i) the sale and purchase agreement dated 30 July 2015 entered into between Hung Fat Ho Holdings Limited and Ms. Yeung Lai Ping (the "**Second Ongo SPA**") in relation to the transfer of 10% of shareholding interest in Ongo Food Limited from Ms. Yeung Lai Ping to Hung Fat Ho Holdings Limited for a consideration based on the net asset value of Ongo Food Limited;

- (j) the supplemental sale and purchase agreement to the Second Ongo SPA, dated 30 July 2015 entered into between Hung Fat Ho Holdings Limited and Ms. Yeung Lai Ping in relation to the distribution of dividends of Ongo Food Limited in proportion to Ms. Yeung Lai Ping's shareholding to her with a maximum of HK\$1.8 million in dividends; and
- (k) the sale and purchase agreement dated 30 July 2015 entered into between Hung Fat Ho Holdings Limited and Mr. Li Yiu Pong in relation to the transfer of 100% of shareholding interest in Eagle Food Limited from Mr. Li Yiu Pong to Hung Fat Ho Holdings Limited for a consideration based on the net asset value of Eagle Food Limited.

2. Our material intellectual property rights


As at the Latest Practicable Date, our Group had five registered trademarks and applied for one trademark in Hong Kong. Set out below is a summary of our material intellectual property rights, which were determined by the Directors on the basis of their materiality to our business operation, financial position and prospects:

(a) Trademark

As at the Latest Practicable Date, we were the registered owner of the following trademarks:

Trademark	Place of Registration	Class	Registration Number	Registration Date	Expiry Date
	Hong Kong	16	302085084	15 November 2011	14 November 2021
	Hong Kong	29, 30	303901356	13 September 2016	12 September 2026
	Hong Kong	29, 30	303901392	13 September 2016	12 September 2026
	Hong Kong	29	303822011	29 June 2016	28 June 2026
	Hong Kong	29, 30	303822020	29 June 2016	28 June 2026

As at the Latest Practicable Date, we have applied for the registration for the following trademark which we believe is material to our business:

Trademark	Place of Registration	Class	Application Number	Application Date
	Hong Kong	29, 30	303901365	13 September 2016

As at the Latest Practicable Date, all relevant trademarks with respect to our business operations in Hong Kong had been duly registered or applied for registration.

(b) Domain names

As at the Latest Practicable Date, we were the registered owner of the following domain names which we believe are material to our business:

Domain name	Expiry date
www.agdl.com.hk	2 November 2019

The contents of these websites, registered or licenced, do not form part of this prospectus.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

1. Particulars of Directors' service agreements and letters of appointment

Each of our executive Directors has entered into a service agreement with our Company commencing from 27 March 2017 for a term of three years.

Each of our independent non-executive Directors has signed a letter of appointment with us for an initial term of three years commencing from 27 March 2017 (subject to termination in certain circumstances as stipulated in the relevant letters of appointment).

Each of the Director is entitled to the respective annual remuneration under the relevant service agreements/letters of appointment (excluding any discretionary bonus and commission) as follows:

Executive Director	<i>HK\$</i>
Mr. Wong Siu Man	1,200,000
Mr. Wong Siu Wa	1,200,000
Mr. Yip Kam Cheong	162,000
Non-executive Director	<i>HK\$</i>
Mr. Wong Chun Hung Hanson	50,000
Independent non-executive Directors	<i>HK\$</i>
Mr. To Yan Ming Edmond	120,000
Mr. Chau Shing Yim David	120,000
Mr. Wong Garrick Jorge Kar Ho	120,000

All of the Directors are covered by the directors' and officers' liability insurance purchased by our Company.

2. Directors' remuneration

The aggregate remunerations paid and benefits in kind granted to the Director in respect of the financial year ended 31 March 2016 was approximately HK\$1.5 million. The aggregate remunerations and benefits in kind which the Directors are entitled to receive for the financial year ending 31 March 2017 is estimated to be approximately HK\$1.3 million, excluding any discretionary bonuses which may be paid to the Directors.

There has been no arrangement under which a Director has waived or agreed to waive any emolument for each of the year ended 31 March 2015 and 2016 and the six months ended 30 September 2016.

3. Related party transactions

Details of the related party transactions are set out under note 28 of the Accountants' Report set out in Appendix I to this prospectus.

4. Interests of Directors and chief executive in our share capital

Immediately following completion of the Share Offer and the Capitalisation Issue, the interests and short positions of the Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which, will 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 have taken or deemed to have under such provisions of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to our Company and the Stock Exchange pursuant to the rules under the securities transactions by directors in the GEM Listing Rules, will be as follows:

Name of Director	Capacity/Name of interest	Number of Shares ⁽¹⁾	Percentage of shareholding in our Company
Mr. Wong Siu Man ⁽²⁾	Interest in controlled corporation	772,800,000 (L)	69%
Mr. Wong Siu Wa ⁽²⁾	Interest in controlled corporation	772,800,000 (L)	69%
Mr. Hanson Wong ⁽³⁾	Interest in controlled corporation	67,200,000 (L)	6%

Notes:

1. The letter “L” denotes long position of the Directors in the Shares.
2. Sky Alpha is the registered owner of 772,800,000 Shares, representing 69% of our issued share capital immediately upon completion of the Share Offer and Capitalisation Issue (without taking into account any Share which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme). Sky Alpha is directly owned by Mr. Wong Siu Man, Mr. Wong Siu Wa and Glory Concord as to 58.38%, 38.92% and 2.7%, respectively. Mr. Wong Siu Man and Mr. Wong Siu Wa are therefore deemed to be interested in the same number of Shares in which Sky Alpha is interested under the SFO.
3. Trillion Advance is the registered owner of 67,200,000 Shares, representing 6% of our issued share capital immediately upon completion of the Share Offer and Capitalisation Issue (without taking into account any Share which may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Trillion Advance is directly owned by Mr. Hanson Wong and Mr. Terence Mak as to 66.7% and 33.3%, respectively. Mr. Hanson Wong is therefore deemed to be interested in the same number of Shares in which Trillion Advance is interested under the SFO.

5. Substantial Shareholders

So far as is known to the Directors or the chief executive of our Company, immediately following the completion of the Share Offer and the Capitalisation Issue, other than the Directors or chief executive of our Company (for whose shareholdings, please refer to the paragraph headed “4. Interests of Directors and chief executive in our share capital” above in this section), the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of interest and capacity	Number of Shares ⁽¹⁾	Interests held
			immediately upon completion of the Share Offer and the Capitalisation Issue Approximate percentage
Ms. Fan Wing ⁽²⁾	Interest of spouse	772,800,000 (L)	69%
Ms. Zhu Min ⁽³⁾	Interest of spouse	772,800,000 (L)	69%
Sky Alpha ⁽⁴⁾	Legal and beneficial owner	772,800,000 (L)	69%
Ms. Lam Wing Yu ⁽⁶⁾	Interest of spouse	67,200,000 (L)	6%
Mr. Terence Mak ⁽⁵⁾	Interest in controlled corporation	67,200,000 (L)	6%
Ms. Cheung Wan Che ⁽⁷⁾	Interest of spouse	67,200,000 (L)	6%
Trillion Advance ⁽⁵⁾	Legal and beneficial owner	67,200,000 (L)	6%

Notes:

1. The letter “L” denotes long position (as defined under Part XV of the SFO) in such Shares.
2. Ms. Fan Wing is the spouse of Mr. Wong Siu Man. Under the SFO, Ms. Fan Wing is deemed to be interested in the same number of Shares in which Mr. Wong Siu Man is interested.
3. Ms. Zhu Min is the spouse of Mr. Wong Siu Wa. Under the SFO, Ms. Zhu Min is deemed to be interested in the same number of Shares in which Mr. Wong Siu Wa is interested.
4. Sky Alpha is the registered owner of 772,800,000 Shares, representing 69% of our issued share capital immediately upon completion of the Share Offer and Capitalisation Issue (without taking into account any Share which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme). Sky Alpha is directly owned by Mr. Wong Siu Man, Mr. Wong Siu Wa and Glory Concord as to 58.38%, 38.92% and 2.7%, respectively. Mr. Wong Siu Man and Mr. Wong Siu Wa are therefore deemed to be interested in the same number of Shares in which Sky Alpha is interested under the SFO.
5. Trillion Advance is the registered owner of the 67,200,000 Shares, representing 6% of our issued Share Capital immediately upon complete of the Share Offer and Capitalisation Issue (without taking into account any Share which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme). Trillion Advance is directly owned by Mr. Hanson Wong and Mr. Terence Mak as to 66.7% and 33.3%, respectively. Mr. Hanson Wong and Mr. Terence Mak are therefore deemed to be interested in the same number of Shares in which Trillion Advance is interested under the SFO.
6. Ms. Lam Wing Yu is the spouse of Mr. Hanson Wong. Under the SFO, Ms. Lam Wing Yu is deemed to be interested in the same number of Shares in which Mr. Hanson Wong is interested.
7. Ms. Cheung Wan Che is the spouse of Mr. Terence Mak. Under the SFO, Ms. Cheung Wan Che is deemed to be interested in the same number of Shares in which Mr. Terence Mak is interested.

6. Disclaimers

- (a) Save as disclosed in the paragraph headed “4. Interests of Directors and chief executive in our share capital” above in this section, none of the Directors or chief executive has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO), immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), 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 any of them is 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 as referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the “required standard of dealings” as contained in Chapter 5 of the GEM Listing Rules, in each case once the Shares are listed.
- (b) Save as disclosed in the paragraph headed “5. Substantial Shareholders” above in this section, the Directors are not aware of any person (other than the Directors or the chief executive of our Company) who will, immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme) have an interest or short position in the Shares or underlying Shares which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or who will, directly

or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

- (c) None of the Directors or the experts under the paragraph headed “E. Other information – 7. Qualifications of experts” below in this Appendix has been directly or indirectly interested in the promotion of, or in any asset(s) which has or have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.
- (d) None of the Directors nor the experts named under the paragraph headed “E. Other information – 7. Qualifications of experts” below in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our Group’s business.
- (e) None of the experts named under the paragraph headed “E. Other information – 7. Qualifications of experts” below in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME

Application has been made to the Listing Committee for the listing of and permission to deal in 112,000,000 Shares, representing 10% of our Company’s issued share capital as at the Listing Date, which may fall to be issued pursuant to the exercise of the Share Options granted under the Share Option Scheme. As at the date of this prospectus, no Share Option has been granted or agreed to be granted under the Share Option Scheme.

The following is a summary of the principal terms of the Share Option Scheme adopted pursuant to the resolutions of our Shareholders passed on 27 March 2017 and adopted by a Board meeting on 27 March 2017. The terms of the Share Option Scheme are in compliance with the provisions of the GEM Listing Rules:

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Group to grant Share Options to the eligible persons as incentives or rewards for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group or any entity in which any member of our Group holds any equity interest (the “Invested Entity”). As at the Latest Practical Date, there was no Invested Entity other than members of our Group, and our Group has not identified any potential Invested Entity for investment.

2. Who may join and basis for determining eligibility

The Board may, at its absolute discretion, offer eligible persons (being any director or employee (whether full time or part time), consultant or adviser of our Group who in the sole discretion of the Board has contributed to and/or will contribute to our Group) (the “**Eligible Persons**”) to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme.

3. Grant of options

- (a) On and subject to the terms of the Share Option Scheme, our Board shall be entitled at any time on a business day within ten years commencing on the effective date of the Share Option Scheme to offer the grant of a Share Option to any Eligible Person as our Board may in its absolute discretion select in accordance with the eligibility criteria set out in the Share Option Scheme. An offer shall be accepted when we receive the duly signed offer letter together with a non-refundable payment of HK\$1.00 (or such other sum in any currency as our Board may determine).
- (b) Subject to the provisions of the Share Option Scheme, the GEM Listing Rules and any relevant laws and regulations, our Board may, on a case by case basis and at its discretion when offering the grant of a Share Option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set forth in the Share Option Scheme as it may think fit (which shall be stated in the letter containing the offer of the grant of the Share Option) including (without prejudice to the generality of the foregoing):
 - (i) the continuing eligibility of the grantee under the Share Option Scheme, and in particular, where our Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria, the option (to the extent it has not already been exercised) shall lapse, subject to the requirements in paragraph 9 below;
 - (ii) the continuing compliance of any such terms and conditions that may be attached to the grant of the option, failing which the option (to the extent that it has not already been exercised) shall lapse unless otherwise resolved to the contrary by our Board, subject to the requirements in paragraph 9 below;
 - (iii) in the event that the Eligible Person is a corporation, that any change of the management and/or shareholding of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (iv) in the event that the Eligible Person is a trust, that any change of the beneficiary of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme.

- (c) Our Board shall not offer the grant of a Share Option to any Eligible Person:
- (i) after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the relevant requirements of the GEM Listing Rules; or
 - (ii) within the period commencing one month immediately preceding the earlier of:
 - (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and
 - (2) deadline for our Company to publish an announcement of its result for any year, half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules),and ending on the date of the results announcement. The period during which no Share Option may be granted will cover any period of delay in the publication of a results announcement.
- (d) Any grant of Share Options to any Director, substantial Shareholder, chief executive of our Company or their respective associates must be approved by all of our Company's independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee).

4. Exercise Price

The exercise price for any Share under the Share Option Scheme shall be a price determined by our Board and notified to each grantee and shall be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day, (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option and (iii) the nominal value of a Share on the date of grant. The exercise price shall also be subject to any adjustments made in a situation contemplated under paragraph 10 below.

5. Maximum number of Shares

- (a) The maximum aggregate number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company, must not, in aggregate, exceed 10% of the total number of Shares in issue from time to time. No Share Options may be granted under the Share Option Scheme and any other share option schemes of our Company if this will result in such limit being exceeded.

- (b) The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes involving the issue or grant of options or similar rights over Shares or other securities by our Company shall not, in aggregate, exceed 112,000,000 Shares or 10% of the issued share capital of our Company as at the Listing Date (without taking into account the Shares which may be issued and allotted pursuant to the exercise of the options which may be granted under the Share Option Scheme) (the “Scheme Mandate Limit”) unless Shareholders’ approval has been obtained pursuant to sub-paragraph (d) below.
- (c) The Scheme Mandate Limit may be renewed by the Shareholders of our Company in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the issued share capital of our Company as at the date of the approval of such renewal by the shareholders of our Company in general meeting. Upon such renewal, all Share Options granted under the Share Option Scheme and any other share options schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share options of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit. A circular must be sent to the Shareholders of our Company containing such relevant information from time to time as required by the GEM Listing Rules.
- (d) Our Board may seek separate Shareholders’ approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the Share Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specifically identified by our Company before such approval is sought and our Company must issue a circular to the Shareholders of our Company containing such relevant information from time to time as required by the GEM Listing Rules in relation to any such proposed grant to such Eligible Persons.
- (e) No Share Option may be granted to any Eligible Person which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Person under the Share Option Scheme (including exercised, cancelled and outstanding share options) in the twelve-month period up to and including the date of such new grant exceeding 1% in aggregate of the issued share capital of our Company as at the date of such grant. Any grant of further share options above this limit shall be subject to certain requirements provided under the GEM Listing Rules.
- (f) The maximum number of Shares referred to in sub-paragraph (a) shall be adjusted, in such manner as our Company’s auditors or our Company’s independent financial adviser shall confirm in writing that the adjustments satisfy the requirements set forth in paragraph 10.

6. Time of exercise of option

- (a) Subject to certain restrictions contained in the Share Option Scheme, a Share Option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option.
- (b) There is no general requirement on the minimum period for which a Share Option must be held or the performance targets which must be achieved before a Share Option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any Share Option, our Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the Share Options to be held and/or the performance targets to be achieved as our Board may determine in its absolute discretion.

7. Rights are personal to grantee

A Share Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Share Option.

8. Rights on ceasing to be an Eligible Person

Should our Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, our Company would (subject to any relevant laws and regulations) be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed, subject to the requirements of paragraph 9 below.

9. Rights on death/ceasing employment

- (a) If the grantee (being an individual) dies before exercising the Share Option in full, his or her legal personal representative(s) may exercise the Share Option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not exercised) within a period of twelve months following his death or such longer period as our Board may determine.
- (b) Subject to sub-paragraphs (c) and (d), if the grantee who is an employee ceases to be an employee for any reason other than his death, disability or the termination of his employment on one or more of the following grounds that:
 - (i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);

- (ii) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of the Companies (WUMP) Ordinance or any similar provisions under the Companies Law) or otherwise become insolvent;
- (iii) there is unsatisfied judgement, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his debts;
- (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraph (i) above;
- (v) a bankruptcy order has been made against the grantee in any jurisdiction; or
- (vi) a petition for bankruptcy has been presented against the grantee in any jurisdiction;

the grantee may exercise the Share Option (to the extent exercisable as at the date of the relevant event and not exercised) within 60 days following the date of such cessation.

- (c) If the grantee is an employee, director, consultant, professional, agent, partner, advisor of or contractor to our Group or its affiliate at the time of the grant of the relevant option(s) and his employment or service to our Company is terminated on the ground of disability, the grantee may exercise the option (to the extent exercisable as at the date on which such grantee ceases to be an employee, director, consultant, professional, agent, partner, advisor of or contractor to our Group or its affiliate and not exercised) within six months following such cessation or such longer period as our Board may determine.
- (d) If the grantee is an employee at the time of the grant of the relevant Share Option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an affiliate, then the option (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) shall be exercised within three months following the date of such cessation or such longer period as our Board may determine.
- (e) If the grantee is an employee at the time of the grant of the relevant Share Option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a director of our Group or an affiliate, then the Share Option(s) (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) granted prior to the date of his becoming a director of our Group or its affiliate shall remain exercisable until its expiry in accordance with the provisions of the Share Option Scheme and the terms and conditions upon which such Share Option(s) is granted unless our Board shall determine to the contrary.

- (f) If the grantee, who is a director, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an affiliate but not an employee, ceasing to be a director, consultant, customer, supplier, agent, partner or adviser of or contractor to our Group or an affiliate (as the case may be) for any reason other than his death (in the case of a grantee being an individual) or disability (in the case of a grantee being a director or consultant of our Group or its affiliate), the option (to the extent exercisable as at the date of such cessation and not exercised) shall be exercised within 30 days following the date of such cessation or such longer period as the Board may determine.

10. Effects of alterations to capital

In the event of any alteration in our capital structure while a Share Option remains exercisable, and such event arises from, including a capitalisation of our Company profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the Share Options so far as unexercised; and/or the exercise price; and/or the method of exercise of the Share Options; and/or the maximum number of Shares subject to the Share Option Scheme. Any adjustments required under this paragraph must give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled, but no such adjustments may be made to the extent that Shares would be issued at less than their nominal value or (unless with the prior approval from our shareholders in general meeting) to the extent that such adjustments are made to the advantage of the grantee. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, independent financial adviser appointed by our Company or our Company's auditors must confirm to the Directors in writing that the adjustments satisfy the requirements set out in this paragraph.

11. Rights on a Takeover

If a general offer (whether by way of takeover 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 concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Takeovers Code), the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within one month after the date on which the offer becomes or is declared unconditional (within the meaning of the Takeovers Code).

12. Rights on a Scheme of Arrangement

In the event of a compromise or arrangement between us and our members or creditors being proposed in connection with a scheme for reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 10.18(3) of the GEM

Listing Rules), we shall give notice thereof to all grantees on the same date as it gives notice of the meeting to our members or creditors to consider such a scheme of arrangement, and thereupon the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting) exercise the Share Option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and we shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof.

13. Rights on a Voluntary Winding up

In the event notice is given by us to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up us, we shall forthwith give notice thereof to the grantee and the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting) exercise the Share Option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and we shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

14. Rights attaching to Shares upon exercise of an option

Shares allotted upon the exercise of a Share Option shall rank *pari passu* in all respects with the existing fully paid Shares in issue at the date of allotment.

15. Lapse of options

A Share Option (to the extent such option has not already been exercised) shall lapse and not be exercisable on the earliest of:

- (a) the expiry of the exercise period;

the expiry of the periods referred to in paragraph 9;
- (b) the date of commencement of our Company's winding-up in respect of the situation contemplated in paragraph 13;
- (c) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph 12;

- (d) the date of which the grantee who is an employee ceases to be an employee by reason of the termination of his employment on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty;
- (e) the happening of any of the following events, unless otherwise waived by our Board:
 - (i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);
 - (ii) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of the Companies (WUMP) Ordinance or any similar provisions under the Companies Law) or otherwise become insolvent;
 - (iii) there is unsatisfied judgement, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
 - (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (i), (ii) and (iii) above;
 - (v) a bankruptcy order has been made against the grantee or any director of the grantee (being a corporation) in any jurisdiction; or
 - (vi) a petition for bankruptcy has been presented against the grantee or any director of the grantee (being a corporation) in any jurisdiction;
- (f) the date on which a situation as contemplated under paragraph 7 arises;
- (g) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the Share Option, unless otherwise resolved to the contrary by our Board; or
- (h) the date on which our Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to paragraph 8.

16. Cancellation of options granted

Our Board shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where a Share Option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new Share Option may only be

made with available but unissued Shares in the authorised share capital of our Company, and available ungranted Share Options (excluding for this purpose all the cancelled Share Options) within the limits referred to in paragraph 5.

17. Period of the Share Option Scheme

Share Options may be granted to Eligible Persons under the Share Option Scheme during the period of ten years commencing on the effective date of the Share Option Scheme.

18. Alteration to Share Option Scheme and Termination

- (a) The Share Option Scheme may be altered in any respect by resolution of our Board except those specific provisions relating to matters in Rule 23.03 of the GEM Listing Rules (or any other relevant provisions of the GEM Listing Rules from time to time applicable) be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders of our Company in general meeting.
- (b) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must be approved by the Shareholders of our Company in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.
- (c) We by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event, no further Share Options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.
- (d) Any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 23 of the GEM Listing Rules and supplementary guidance on the interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to Share Option Schemes).

19. Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to the passing of the necessary resolution to adopt the Share Option Scheme by our Shareholders in a special general meeting of our Company and is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, any Shares to be issued and allotted by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme.

20. Administration of the Share Option Scheme

The Share Option Scheme shall be subject to the administration of our Board or any committee established by our Board from time to time, whose decision (save as otherwise provided in the Share Option Scheme) shall be final and binding on all parties.

As at the Latest Practicable Date, no other options have been granted or agreed to be granted by our Company under the Share Option Scheme as at the date of this prospectus.

The terms of the Share Option Scheme are in compliance with Chapter 23 of the GEM Listing Rules.

E. OTHER INFORMATION

1. Tax and other indemnities

The Indemnifiers have, under a Deed of Indemnity as referred to in the paragraph headed “B. Further information about the business – 1. Summary of material contracts” above in this Appendix, given joint and several indemnities to our Company (for itself and as trustee for and on behalf of its subsidiaries) in connection with, among other things:

- (a) any taxation (including estate duty) falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date on which the Share Offer becomes unconditional; and
- (b) all costs which any member of our Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with any alleged or actual violation or non-compliance by any member of our Group with any laws, regulations or administrative orders or measures in Hong Kong on or before the date on which the Share Offer becomes unconditional, if any.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- in relation to items (a) and (b) above, provision has been made for such liability in the audited consolidated accounts of our Company or any member of our Group for the Track Record Period;
- in relation to item (a) above, the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- in relation to item (a) above, the taxation liability arises in the ordinary course of business of any member of our Group or in the ordinary course of acquiring and disposing of capital assets after the date on which the Share Offer becomes unconditional.

The Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands and BVI is likely to fall on our Group, and the estate duty under the laws of Hong Kong has been abolished.

2. Litigation

To the best knowledge of the Directors, save as disclosed in this prospectus, as at the Latest Practicable Date, neither our Company nor any of its subsidiaries was engaged in any litigation, arbitration or claims of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its results of operations or financial condition.

3. Application for listing of Shares

Our Company has applied to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer as mentioned herein and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed LY Capital Limited as its compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

5. Preliminary expenses and Sole Sponsor's fees

The estimated preliminary expenses relating to the incorporation of our Company are approximately HK\$23,500 and are payable by our Company.

The Sole Sponsor will be paid by our Company an aggregate fee of HK\$4 million to act as the sole sponsor to the Share Offer.

6. Promoter

Our Company has no promoter as the term is defined under the GEM Listing Rules.

7. Qualifications of experts

The following are the qualifications of the experts which have given their opinions or advice which are contained, or referred to, in this prospectus:

Expert	Qualification
South China Capital Limited	A corporate licenced under the SFO and permitted to carry out Type 6 (advising on corporate finance) of regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Maples and Calder (Hong Kong) LLP	Cayman Islands attorneys-at-law
Frost & Sullivan International Limited	Industry consultants
SHINEWING Risk Services Limited	Internal control advisers

8. Consents of experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with inclusion of its report and/or letter and/or the references to its name in the form and context in which they are respectively included.

As at the Latest Practicable Date, none of the experts referred to above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

10. Miscellaneous

- (a) Save as disclosed in this Appendix and the sections headed “History, Reorganisation and Corporate Structure” and “Underwriting” in this prospectus, within the two years preceding the date of this prospectus:
 - (i) within the two years immediately preceding the date of this prospectus, no Share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid for either cash or a consideration other than cash;

- (ii) no Share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
 - (iii) within the two years immediately preceding the date of this prospectus, 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.
- (b) Our Directors confirm that, up to the date of this prospectus, save as disclosed in the section headed “Financial information – No material adverse change” in this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 30 September 2016 (being the date to which the latest audited consolidated financial statements of the Group were made up), and there had been no event since 30 September 2016 which would materially affect the information as shown in the Accountants’ Report.
- (c) Our Company has no outstanding convertible debt securities.
- (d) No founder, management or deferred shares or debentures of our Company or any of our subsidiaries have been issued or agreed to be issued.
- (e) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (f) There is no arrangement under which future dividends are waived or agreed to be waived.
- (g) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus.
- (h) The register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (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 were the written consents referred to in “E. Other Information – 8. Consents of experts” in Appendix IV to this prospectus, and copies of the material contracts referred to in “B. Further Information about the Business – 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Deacons at 5/F, Alexandra House, 18 Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus and including the date which is 14 days from the date of this prospectus:

1. the Memorandum of Association and the Articles of Association;
2. the accountants’ report of our Group for the Track Record Period from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
3. the audited financial statements of the companies now comprising the Group for the years ended 31 March 2015, 31 March 2016 and the six months ended 30 September 2016;
4. the report from Deloitte Touche Tohmatsu relating to our unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
5. a copy of the letter of advice prepared by Maples and Calder (Hong Kong) LLP summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
6. the terms of the Share Option Scheme;
7. the F&S Report issued by Frost & Sullivan, the text of which is summarised in the section headed “Industry Overview” in this prospectus;
8. the material contracts referred to in “B. Further Information about the Business – 1. Summary of material contracts” in Appendix IV to this prospectus;
9. the service agreements and the letters of appointment referred to in “C. Further information about Directors, management and staff – 1. Particulars of Directors’ service agreements and letters of appointment” in Appendix IV to this prospectus;
10. the written consents referred to in “E. Other information – 8. Consents of experts” in Appendix IV to this prospectus; and
11. the Companies Law.

Asia Grocery Distribution Limited
亞洲雜貨有限公司

