

Snack Empire Holdings Limited

快餐帝國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1843

SHARE OFFER

Sole Sponsor



Lego Corporate Finance Limited
力高企業融資有限公司

Joint Bookrunners and Joint Lead Managers



潮商證券有限公司
ChaoShang Securities Limited



Lego Securities Limited
力高證券有限公司

Co-lead Managers



首盛資本集團
Alpha Financial Group



馬有成投資有限公司
Excellent Success Investments Limited



聯合證券
Head & Shoulders Securities



PARAGON SECURITIES LIMITED
宏進證券



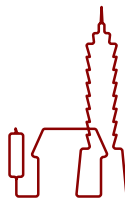
華贏證券
Solomon Securities



ZACD FINANCIAL

IMPORTANT

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



SNACK EMPIRE HOLDINGS LIMITED

快餐帝國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	: 200,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	: 20,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 180,000,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	: Not more than HK\$0.75 per Offer Share and expected to be not less than HK\$0.65 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)
Nominal Value	: HK\$0.01 per Share
Stock Code	: 1843

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

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

The Offer Price is expected to be determined by an agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Friday, 11 October 2019, and in any event no later than Monday, 21 October 2019. If our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by Monday, 21 October 2019, the Share Offer will not become unconditional and will lapse immediately.

The Offer Price will not be more than HK\$0.75 per Offer Share and is expected to be not less than HK\$0.65 per Offer Share, unless otherwise announced. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In the event of such, a notice of the reduction of the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.snackemp.com.

Prospective investors should note the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe, and to procure subscribers for, the Public Offer Shares are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) if certain events shall occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" of this prospectus.

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

No information on any website forms part of this prospectus.

EXPECTED TIMETABLE

If there is any change in the following expected timetable, we will issue an announcement on the respective website of our Company at www.snackemp.com and the Stock Exchange at www.hkexnews.hk.

Application lists of the Public Offer open ⁽²⁾	11:45 a.m. on Tuesday, 8 October 2019
Latest time for lodging WHITE and YELLOW Application Forms.....	12:00 noon on Tuesday, 8 October 2019
Latest time for giving electronic application instructions to HKSCC ⁽³⁾	12:00 noon on Tuesday, 8 October 2019
Application lists of the Public Offer close ⁽²⁾	12:00 noon on Tuesday, 8 October 2019
Expected Price Determination Date ⁽⁴⁾	Friday, 11 October 2019
Announcement of: (i) the final Offer Price; (ii) the level of indication of interest in the Placing; (iii) the level of applications in the Public Offer; and (iv) the basis of allocation of the Public Offer Shares, to be published on the website of our Company at www.snackemp.com ⁽⁵⁾ and the Stock Exchange at www.hkexnews.hk on or before	Tuesday, 22 October 2019
Results of allocations in the Public Offer (with successful applicants’ identification document or business registration numbers, where appropriate) to be published on the website of our Company at www.snackemp.com ⁽⁵⁾ and the Stock Exchange at www.hkexnews.hk from.....	Tuesday, 22 October 2019
Results of allocations in the Public Offer to be available at www.ewhiteform.com.hk/results with a “search by ID” function from	Tuesday, 22 October 2019
Despatch/collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before ⁽⁶⁾⁽⁸⁾	Tuesday, 22 October 2019
Despatch/collection of refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before ⁽⁷⁾⁽⁸⁾	Tuesday, 22 October 2019
Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m.....	Wednesday, 23 October 2019

EXPECTED TIMETABLE

The application for the Public Offer will commence on Monday, 30 September 2019 through Tuesday, 8 October 2019, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, 22 October 2019. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 23 October 2019.

Notes:

1. All times and dates refer to Hong Kong local times and dates, unless otherwise stated.
2. If there is/are a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 8 October 2019, the application lists will not open on that day. For details, please refer to the section headed “How to Apply for the Public Offer Shares — 9. Effect of bad weather on the opening of the application lists” of this prospectus.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS 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” of this prospectus.
4. The Price Determination Date is expected to be on or around Friday, 11 October 2019 and in any event, no later than Monday, 21 October 2019. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse immediately.
5. None of the website or any of the information contained therein forms part of this prospectus.
6. Share certificates will only become valid at 8:00 a.m. on Wednesday, 23 October 2019 provided that the Share Offer has become unconditional and the right of termination set out in the section headed “Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination” of this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
7. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque, if any. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque, if any.
8. Applicants who apply on **WHITE** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Company’s Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, from 9:00 a.m. to 1:00 p.m. on Tuesday, 22 October 2019 or such other date as notified by our Company on the website of our Company at www.snackemp.com or the Stock Exchange at www.hkexnews.hk as the date of despatch/collection of Share certificates/refund cheques. Applicants being individuals who opt for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which opt for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Branch Share Registrar at the time of collection.

EXPECTED TIMETABLE

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

Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Public Offer Shares — 13. Despatch/Collection of Share certificates and refund monies — Personal collection — If you apply via electronic application instructions to HKSCC" of this prospectus.

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications. For further details, please refer to the section headed "How to Apply for the Public Offer Shares — 12. Refund of application monies" and "How to Apply for the Public Offer Shares — 13. Despatch/Collection of share certificates and refund monies" of this prospectus.

The above expected timetable is a summary only. You should read carefully the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" of this prospectus for details of the structure and conditions of the Share Offer, including the conditions of the Share Offer and the procedures for application for the Public Offer Shares.

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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. 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. No action has been taken to permit a public offer of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sole Sponsor, the Joint Lead Managers, the Co-lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Share Offer.

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SUMMARY

OVERVIEW

We are a food and beverage group offering Taiwanese Snacks and Beverages under our *Shihlin Taiwan Street Snacks*[®] brand.

Our history can be traced back to 2003 when Mr. Tay, our Chairman, executive Director and Controlling Shareholder, and Mr. Wong, our chief executive officer, executive Director and Controlling Shareholder together founded STSS Company with a vision to introduce authentic Taiwanese cuisine to the fast food industry in Singapore. Throughout our years of operations, we have successfully charted the course from our first pop-up store opened in Singapore in November 2003 to 228 Shihlin Outlets and Restaurants as at the Latest Practicable Date with international footprints spanning across Singapore, Malaysia, Indonesia and United States. In addition, as at the Latest Practicable Date, we have entered into Franchise Agreements for the opening of franchise Outlet(s)/Restaurant(s) in Brunei and Egypt, respectively.

For FY2017, FY2018 and FY2019, our total revenue amounted to approximately S\$15.7 million, S\$18.6 million and S\$21.3 million, respectively and our net profit amounted to approximately S\$3.1 million, S\$3.1 million and S\$2.3 million, respectively.

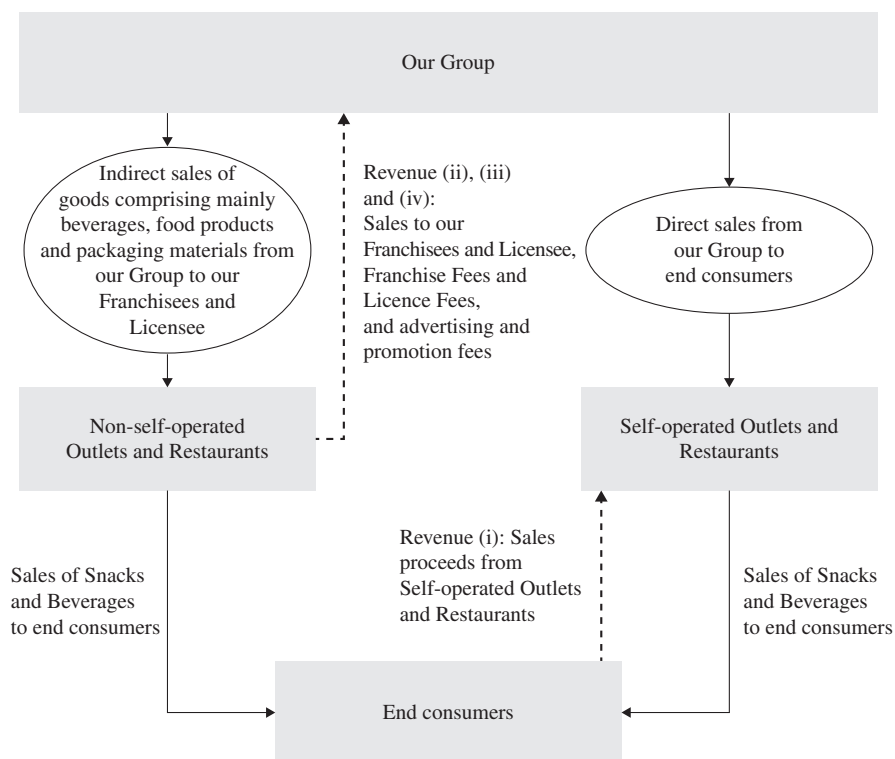
BUSINESS MODEL

We operate Shihlin Outlets and Restaurants under our *Shihlin Taiwan Street Snacks*[®] brand adopting two basic models, namely (i) Self-operated model; and (ii) franchise and licence model. We own, manage and operate the Self-operated Outlets and Restaurants and retain any operating profits generated therefrom. We are solely responsible for all capital expenditures in connection with the opening of all Self-operated Outlets and Restaurants, as well as all ongoing operating expenses in connection therewith. In contrast with Self-operated Outlets and Restaurants, the Non-self-operated Outlets and Restaurants are owned, managed and operated by Independent Third Parties under the franchise or licence arrangements, with technical and operational support from our Group, including training, operations manuals, access to our supply and distribution network and advertising and promotion assistance. Our Franchisees and Licensee are solely responsible for all capital expenditures and ongoing operating expenses in connection with the Non-self-operated Outlets and Restaurants.

We generate revenue from our Self-operated Outlets and Restaurants from selling our Snacks and Beverages to end consumers. The sources of revenue of our franchise/licence operation include (i) sales of goods comprising mainly beverages, food products and packaging materials to Franchisees and

SUMMARY

Licensee; (ii) Franchise Fees and Licence Fees; and (iii) advertising and promotion fees collected from our Franchisees in Singapore and West Malaysia. The chart below illustrates our business model:



The table below sets forth a breakdown of our revenue by business model and geographic region during the Track Record Period:

	FY2017		FY2018		FY2019	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	S\$'000	%	S\$'000	%	S\$'000	%
Sales from Self-operated Outlets and Restaurants						
Singapore	5,454	34.7	6,377	34.3	6,912	32.4
West Malaysia	1,461	9.2	2,219	12.0	3,594	16.9
	<u>6,915</u>	<u>43.9</u>	<u>8,596</u>	<u>46.3</u>	<u>10,506</u>	<u>49.3</u>
Sales to Franchisees/Licensee						
Singapore	308	2.0	240	1.3	249	1.2
Malaysia	4,321	27.6	5,121	27.6	5,520	25.9
Indonesia	1,972	12.5	1,961	10.5	2,353	11.0
U.S.	126	0.8	328	1.8	261	1.2
Others (Note)	5	—	—	—	—	—
	<u>6,732</u>	<u>42.9</u>	<u>7,650</u>	<u>41.2</u>	<u>8,383</u>	<u>39.3</u>

SUMMARY

	FY2017		FY2018		FY2019	
	Revenue S\$'000	% of total revenue %	Revenue S\$'000	% of total revenue %	Revenue S\$'000	% of total revenue %
Franchise Fees and Licence Fees						
Singapore	165	1.0	128	0.7	84	0.4
Malaysia	594	3.8	626	3.3	732	3.4
Indonesia	924	5.9	1,052	5.7	1,128	5.3
U.S.	69	0.4	94	0.5	102	0.5
Others (<i>Note</i>)	38	0.2	23	0.1	14	0.1
	<u>1,790</u>	<u>11.3</u>	<u>1,923</u>	<u>10.3</u>	<u>2,060</u>	<u>9.7</u>
Advertising and promotion fees						
Singapore	70	0.4	67	0.4	193	0.9
West Malaysia	228	1.5	345	1.8	183	0.8
	<u>298</u>	<u>1.9</u>	<u>412</u>	<u>2.2</u>	<u>376</u>	<u>1.7</u>
Total	<u>15,735</u>	<u>100.0</u>	<u>18,581</u>	<u>100.0</u>	<u>21,325</u>	<u>100.0</u>

Note: Others mainly consist of (i) sales to STSS Concepts (HK) Limited for FY2017, which ceased operations in June 2016; and (ii) franchise upfront fees from a Franchisee in Brunei for FY2017, FY2018 and FY2019 which the franchise agreement was entered into in July 2016 but no Outlets/Restaurants have been opened up to the Latest Practicable Date.

During the Track Record Period, the decrease in sales to Franchisees in Singapore and increase in sales of Self-operated Outlets and Restaurants in Singapore from FY2017 to FY2018 were primarily due to (i) the takeover of three Non-self-operated Outlets in June 2016, May 2017 and July 2017, respectively from Franchisees to operate as Self-operated Outlets; and (ii) new openings of two Self-operated Outlets and Restaurants.

One Shihlin Outlet in Hong Kong was closed down during FY2017. The closure of the Shihlin Outlet in Hong Kong was due to underperformance which we believe was caused by insufficient promotion and advertising for our brand to be made known in the market.

SHIHLIN OUTLETS AND RESTAURANTS NETWORK

All Shihlin Outlets and Restaurants are either Outlets or Restaurants. Outlet refers to a take-out outlet, which is typically a concessionary counter consisting primarily of a front counter and kitchen without seating area whereas Restaurant refers to a self-service restaurant with seating area.

As at the Latest Practicable Date, our 228 Shihlin Outlets and Restaurants comprised (i) 15 Self-operated Outlets in Singapore; (ii) 14 Self-operated Restaurants in West Malaysia; (iii) two franchise Outlets in Singapore; (iv) three franchise Restaurants in Singapore; (v) three franchise Outlets in West Malaysia; (vi) 62 franchise Restaurants in West Malaysia; (vii) one franchise Outlet in East Malaysia; (viii) two franchise Restaurants in East Malaysia; (ix) 20 sub-licence Outlets in Indonesia; (x) 101 sub-licence Restaurants in Indonesia; (xi) three franchise Restaurants in Northern California; and (xii) two sub-franchise Restaurants in Northern California.

SUMMARY

Having considered our established local presence and market knowledge through years of operation, our Self-operated Outlets and Restaurants are all opened and will continue to be opened in Singapore and West Malaysia only. Given the large geographical area and high population of West Malaysia, we have been and will continue to expand our network in West Malaysia by operating Self-operated Restaurants and through franchising. We will continue to rely on the franchise/licence model such as our East Malaysia Master Franchise, Northern California Master Franchise, Indonesia Master Licence and Egypt Master Franchise as our primary means to expand our international presence, taking into account, among others, the differences between the local markets and the Singapore and West Malaysia markets in which we operate in terms of demographics, local preferences, pricing strategies, connections with local market participants such as landlords, local suppliers, and logistics providers. According to the Frost & Sullivan Report, sales generated at the Shihlin Outlets and Restaurants in Malaysia and Singapore accounted for approximately 0.9% and 0.6% of total fast food market in terms of transaction amount in the respective countries in 2018.

Self-operated Outlets and Restaurants

As at the Latest Practicable Date, we operated 15 Self-operated Outlets in Singapore and 14 Self-operated Restaurants in West Malaysia.

For FY2017, FY2018 and FY2019, we recorded total sales from our Self-operated Outlets and Restaurants of approximately S\$6.9 million, S\$8.6 million and S\$10.5 million, respectively, accounting for approximately 43.9%, 46.3% and 49.3% of the total revenue during the respective financial years.

The tables below set forth a comparison of the operating profit (being outlet sales less cost of food and beverages, cost of packaging materials, rental expenses and outlet staff costs), operating margin and details of breakeven period and investment payback period (in approximation to nearest whole number) in respect of our Self-operated Outlets and Restaurants during the Track Record Period:

Singapore

Self-operated Outlet/Restaurant	FY2017		FY2018		FY2019		Breakeven period (Note 11) (month(s))	Investment payback period (Note 11) (month(s))
	Operating profit	Operating margin	Operating profit	Operating margin	Operating profit	Operating margin		
	S\$'000		S\$'000		S\$'000			
Self-operated Outlet B (Note 1)	46	15.6%	17	6.5%	41	15.5%	N/A	N/A
Self-operated Outlet C (Note 2)	(14)	(19.8%)	N/A	N/A	N/A	N/A	N/A	N/A
Self-operated Outlet D	107	21.4%	129	25.8%	185	34.1%	N/A	N/A
Self-operated Outlet E (Note 3)	72	16.9%	68	17.6%	54	13.9%	N/A	N/A
Self-operated Outlet F (Note 4)	35	25.4%	125	25.8%	126	24.3%	N/A	N/A
Self-operated Outlet G (Note 5)	320	39.1%	289	39.2%	216	36.4%	N/A	N/A
Self-operated Outlet H (Note 5)	375	36.7%	336	35.4%	363	39.1%	N/A	N/A
Self-operated Outlet I (Note 6)	81	16.6%	41	20.8%	N/A	N/A	N/A	N/A
Self-operated Outlet J	110	19.5%	148	26.8%	146	25.9%	N/A	N/A
Self-operated Outlet K (Note 7)	171	32.9%	159	26.5%	230	36.9%	1	1
Self-operated Outlet L (Notes 7 and 9)	126	28.6%	256	34.1%	333	40.5%	1	3
Self-operated Outlet M (Notes 8 and 9)	N/A	N/A	12	7.2%	10	4.7%	1	Yet to achieve
Self-operated Outlet N (Note 8)	N/A	N/A	32	12.8%	72	19.8%	2	4
Self-operated Outlet O (Notes 8 and 10)	N/A	N/A	16	7.8%	42	16.3%	2	16

SUMMARY

Notes:

- (1) Self-operated Outlet B recorded a decrease in operating profit for FY2018 as compared to FY2017 mainly due to the decrease in number of customer visits due to the competition from trendier malls in the vicinity but subsequently increased back to nearly FY2017-level for FY2019, as we managed to negotiate for a lower rental rate.
- (2) Self-operated Outlet C was closed in August 2016.
- (3) Self-operated Outlet E recorded decreases in operating profit for FY2018 and FY2019 mainly due to the decrease in number of customer visits because of the opening of a regional hub nearby which may have attracted more customers, leading to lower customer traffic in the mall which the Outlet is situated at.
- (4) Self-operated Outlet F recorded a relatively lower operating profit for FY2017 as compared to FY2018 and FY2019 mainly due to the fact that it was closed from around June 2016 to June 2017 due to the renovation of the shopping mall in which the Outlet was situated, resulted in a decrease in its number of operating days in FY2017.
- (5) Self-operated Outlet G and Self-operated Outlet H recorded higher operating profit and operating margin as compared to other Outlets mainly because of the higher number of customer visits as the Outlets are situated at densely populated areas of Singapore and near to transport hubs, hence generating higher average daily revenue to cover the fixed costs of the Outlets, such as rental expenses, and leading to relatively lower rental expenses as a percentage of the total revenue of the respective Outlets. Self-operated Outlet G recorded decreases in operating profit for FY2018 and FY2019 mainly because of the decreasing customer traffic contributed by the aged renovation of the shopping mall where the Outlet was situated, which was opened in 2007. The shopping mall subsequently closed for renovation from May to June 2018, resulted in a decrease in number of operating days of Self-operated Outlet G in FY2019.
- (6) Self-operated Outlet I was closed in September 2017 as the landlord did not renew the tenancy agreement with us upon its expiration.
- (7) Self-operated Outlet K and Self-operated Outlet L were opened during FY2017.
- (8) Self-operated Outlet M, Self-operated Outlet N and Self-operated Outlet O were opened during FY2018.
- (9) The operating margin for Self-operated Outlet M decreased from approximately 7.2% for FY2018 to approximately 4.7% for FY2019. Our Directors believe that the decrease was mainly due to the decrease in customer traffic in the vicinity leading to decrease in average number of transactions per day from 112 during FY2018 to 93 during FY2019. Self-operated Outlet M has yet to achieve investment payback as at the Latest Practicable Date because of relatively higher investment cost incurred as compared to Self-operated Outlets K and N opened during the Track Record Period that were taken over from Franchisees where our Group only paid a relatively nominal fee to acquire the then existing renovation and equipment; whereas Self-operated Outlet M was a new Outlet set up by our Group and we incurred higher investment cost, including renovation and equipment costs. Self-operated Outlet L was a new set up by our Group but it still managed to achieve relatively short investment payback period mainly because of its comparatively high average number of transactions per day as Self-operated Outlet L was situated at a densely populated area of Singapore and thus the number of transactions of Self-operated Outlet L increased during the Track Record Period and resulted in increases in operating profit and operating profit margin during the Track Record Period.
- (10) Self-operated Outlet O was taken over from Franchisee in May 2017. It had a longer investment payback period than other Self-operated Outlets opened during the Track Record Period due to lower customer flow in the vicinity.
- (11) These only refer to the Self-operated Outlets opened during the Track Record Period.

SUMMARY

West Malaysia

Self-operated Restaurants	FY2017		FY2018		FY2019		Breakeven	Investment
	Operating profit	Operating margin	Operating profit	Operating margin	Operating profit	Operating margin	period (Note 9)	payback period (Note 9)
	S\$'000		S\$'000		S\$'000		(month(s))	(month(s))
Self-operated Restaurant A (Note 1)	57	14.7%	100	23.4%	135	28.9%	N/A	N/A
Self-operated Restaurant B	14	14.9%	12	14.1%	20	20.5%	N/A	N/A
Self-operated Restaurant C	124	34.5%	122	31.4%	142	32.6%	N/A	N/A
Self-operated Restaurant D	59	30.0%	45	23.6%	54	25.6%	N/A	N/A
Self-operated Restaurant E (Note 2)	155	36.7%	127	30.5%	103	24.6%	N/A	N/A
Self-operated Restaurant F (Note 3)	—	—	73	25.3%	76	21.9%	2	7
Self-operated Restaurant G (Note 3)	—	—	12	13.7%	39	15.4%	2	3
Self-operated Restaurant H (Notes 3 and 4)	—	—	5	4.4%	49	17.6%	2	13
Self-operated Restaurant I (Note 3)	—	—	7	6.8%	33	18.0%	2	4
Self-operated Restaurant J (Notes 3 and 5)	—	—	1	2.2%	59	34.8%	2	16
Self-operated Restaurant K (Notes 3 and 6)	—	—	7	8.0%	49	21.5%	2	16
Self-operated Restaurant L (Note 7)	—	—	—	—	26	19.4%	1	12
Self-operated Restaurant M (Note 8)	—	—	—	—	22	23.6%	2	Yet to achieve

Notes:

- (1) Self-operated Restaurant A recorded relatively lower operating profit for FY2017 than FY2018 and FY2019 mainly due to temporary closure for renovation in September and October 2016.
- (2) Self-operated Restaurant E recorded decreases in operating profit for FY2018 and FY2019 mainly due to the decrease in average number of transactions per day from 284 in FY2017 to 255 in FY2018 as a result of Self-operated Restaurant E's aged renovation. Self-operated Restaurant E was subsequently renovated in April 2018, resulting in lower number of operating days in FY2019.
- (3) Self-operated Restaurant F, Self-operated Restaurant G, Self-operated Restaurant H, Self-operated Restaurant I, Self-operated Restaurant J and Self-operated Restaurant K were opened during FY2018.
- (4) Self-operated restaurant H recorded longer investment payback period due to significant investment cost incurred in replacing damaged equipment and aged renovation when we took over the Restaurant from Franchisee.
- (5) Self-operated Restaurant J recorded longer investment payback period because of higher investment cost as compared to Self-operated Restaurants F, G and I that were taken over from Franchisees where our Group only paid a relatively nominal amount to acquire the then existing renovation and equipment; whereas Self-operated Restaurant J was a new Restaurant set up by our Group and we incurred higher investment costs, including renovation and equipment costs.
- (6) Self-operated Restaurant K recorded longer investment payback period due to significant investment cost incurred on new renovation and equipment as the landlord re-assigned a new location to us when we took over the Outlet from our Franchisee.
- (7) We took over Self-operated Restaurant L from Franchisee in FY2019. Self-operated Restaurant L recorded longer investment payback period due to significant investment cost incurred in replacing damaged equipment and aged renovation when we took over the Restaurant from Franchisee.
- (8) Self-operated Restaurant M was set up by our Group during FY2019. It has yet to achieve investment payback as at the Latest Practicable Date because it was a new set up by our Group and we incurred higher investment cost.
- (9) These only refer to the Self-operated Restaurants that opened during the Track Record Period.

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As at the Latest Practicable Date, (i) out of our five Self-operated Outlets in Singapore that opened or took over during the Track Record Period, we have achieved investment payback in respect of four Self-operated Outlets with an investment payback period ranging from one to 16 months; and (ii) out of our eight Self-operated Restaurants in West Malaysia that opened or took over during the Track Record Period, we have achieved investment payback in respect of seven Self-operated Restaurants with an investment payback period ranging from three to 16 months. The investment payback period of new Outlets and Restaurants set up by our Group will generally be longer than that of Outlets and Restaurants we took over from Franchisees because we incur higher investment cost for renovation and equipment for brand new Outlets and Restaurants. The investment payback periods of our Self-operated Outlets and Restaurants in Singapore and West Malaysia are shorter than the fast food industry average which ranged between 25 months to 33 months for Singapore and between 18 months and 36 months for Malaysia in 2018, according to the Frost & Sullivan Report.

As at the Latest Practicable Date, (i) all of our five Self-operated Outlets in Singapore that opened or took over during the Track Record Period have achieved breakeven with a breakeven period ranging from one to two months; and (ii) all of our eight Self-operated Restaurants in West Malaysia that opened or took over during the Track Record Period have achieved breakeven with a breakeven period ranging from one to two months. The breakeven period of our Self-operated Outlets and Restaurants in Singapore and West Malaysia are in line with the fast food industry average which ranged between two months to three months in both Singapore and Malaysia in 2018, according to the Frost & Sullivan Report. For further details, please refer to the section headed “Business — Operating performance — Investment payback and breakeven” of this prospectus.

The following table sets forth details of the same store revenue of our Self-operated Outlets in Singapore during the Track Record Period:

	FY2017	FY2018	FY2018	FY2019
<i>Existing stores opened prior to the Track Record Period</i>				
Number of same stores ⁽¹⁾	5		4	
Same store average daily revenue (S\$) ⁽²⁾	8,846	8,290	6,250	6,352
Same store revenue growth (%)		-6.3%		1.6%
<i>New stores opened during the Track Record Period</i>				
Number of same stores ⁽¹⁾		Nil		2
Same store average daily revenue (S\$) ⁽²⁾	—	—	3,732	3,976
Same store revenue growth (%)		—		6.5%

(1) Included Self-operated Outlets in Singapore which had full year operation (excluding closure during certain public holidays) in both FY2017 and FY2018, and in both FY2018 and FY2019, respectively and excluded the stores that did not have full year performance in either or both year(s).

(2) Refers to the aggregate gross average daily revenue from the same stores for the year indicated.

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The following table sets forth details of the same store revenue of our Self-operated Restaurants in West Malaysia during the Track Record Period:

	FY2017	FY2018	FY2018	FY2019
<i>Existing stores opened prior to the Track Record Period</i>				
Number of same stores ⁽¹⁾	4	4	4	4
Same store average daily revenue (S\$) ⁽²⁾	2,953	2,972	3,002	3,383
Same store revenue growth (%)	0.6%		12.7%	
<i>New stores opened during the Track Record Period</i>				
Number of same stores ⁽¹⁾	Nil	—	5	5
Same store average daily revenue (S\$) ⁽²⁾	—	—	3,295	3,299
Same store revenue growth (%)	—	—	0.1%	

(1) Included Self-operated Restaurants in West Malaysia which had full year operation (excluding closure during certain public holidays) in both FY2017 and FY2018, and in both FY2018 and FY2019, respectively and excluded the stores that did not have full year performance in either or both year(s).

(2) Refers to the aggregate gross average daily revenue from the same stores for the year indicated.

Non-self-operated Outlets and Restaurants

As at the Latest Practicable Date, our franchise/licence model comprised (i) Single Unit Franchise; (ii) Multiple Units Franchise; (iii) Master Franchise; and (iv) Master Licence. Single Unit Franchise refers to the right to open a single Shihlin Outlet or Restaurant. Multiple Units Franchise refers to the right to open multiple Shihlin Outlets and/or Restaurants. Master Franchise refers to the right to open and operate, and to sub-franchise such right to open and operate Shihlin Outlets and/or Restaurants within a designated territory. Master Licence refers to the right to use, and to sub-license such right to use our intellectual property rights within a designated territory. As at the Latest Practicable Date, we have granted the Northern California Master Franchise, the East Malaysia Master Franchise, the Indonesia Master Licence and the Egypt Master Franchise. Revenue derived from our franchise/licence model amounted to approximately S\$8.8 million, S\$10.0 million and S\$10.8 million for FY2017, FY2018 and FY2019, respectively, accounting for approximately 56.1%, 53.7% and 50.7% of the total revenue, respectively.

During the Track Record Period, in Singapore, two Non-self-operated Outlets were closed by the relevant Franchisee for personal reasons and one Non-self-operated Outlet was closed because the relevant Franchisee considered it to be underperforming. However, we believe that those Non-self-operated Outlets were commercially and financially viable and that they can be operated profitably. Our Group therefore took over such Outlets to become Self-operated Outlets.

During the Track Record Period, in Malaysia, two Non-self-operated Restaurants were closed due to the relevant Franchisees' personal reasons, two Non-self-operated Restaurants were closed due to expiry of the relevant lease, one Non-self-operated Restaurant was closed due to expiry of the Operating Agreement and one Non-self-operated Restaurant was closed due to the restructuring of the mall in which the Non-self-operated Restaurant was situated. We took over each of these Non-self-operated Restaurants because we believed that they were commercially and financially viable and that they can be operated profitably.

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Historical changes of our Shihlin Outlets and Restaurants network

The table below sets out a summary of the movements of our Shihlin Outlets and Restaurants in Singapore, Malaysia, Indonesia and the U.S. during the Track Record Period and up to the Latest Practicable Date:

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>Subsequent to the Track Record Period and up to the Latest Practicable Date</u>
As at the beginning of the year/period				
Self-operated	14	15	23	25
Non-self-operated	142	143	159	175
Opening during the year/period				
Self-operated	2	9	2	4
Non-self-operated	16	28	25	25
Closure during the year/period				
Self-operated	1	1	—	—
Non-self-operated	15	12	9	1
As at the end of the year/period				
Self-operated	15	23	25	29
Non-self-operated	143	159	175	199

During the Track Record Period and up to the Latest Practicable Date, our opening of Self-operated Outlets and Restaurants in Singapore and West Malaysia were for expansion of our market presence in the regions, which also included the takeover of Non-self-operated Outlets and Restaurants from Franchisees. The additions of the Non-self-operated Outlets and Restaurants in Singapore, Malaysia, Indonesia and the United States during the Track Record Period and up to the Latest Practicable Date were the results of the opening of new Non-self-operated Outlets and Restaurants of our Franchisees, Licensee, its sub-franchisees and/or its sub-licensees. Particularly, having considered the satisfactory performance of our Self-operated Outlets/Restaurants opened in FY2017, we opened more Self-operated Outlets/Restaurants in FY2018. We conservatively held back the opening of new Self-operated Outlets/Restaurants in FY2019 in West Malaysia given the political instability with the 2018 general elections and the change in the first incumbent government of Malaysia after 61 consecutive years of rule, as well as the changes in tax regime such as the abolition of good and services tax and the inclusion of a sales and service tax thereby leading to fewer openings in FY2019. Furthermore, we prioritised manpower for the Listing in the hope of using this platform as a stepping stone for our business expansion and as such, we were cautious in expanding into new markets and searching for market opportunities with limited manpower. The fewer opening of Non-self-operated Outlets/Restaurants in FY2017 as compared to the opening of Non-self-operated Outlets/Restaurants in FY2018 and FY2019 was mainly due to the slower opening of Non-self-operated Outlets/Restaurants in Malaysia and Indonesia in FY2017.

In FY2017, Self-operated Outlet C was closed in August 2016 upon expiration of the tenancy agreement as our Directors decided not to renew the tenancy in view of its operating performance. In FY2018, Self-operated Outlet I was closed in September 2017 as the landlord did not renew the tenancy agreement with us upon its expiration.

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The closures of the Non-self-operated Outlets and Restaurants during the Track Record Period and up to the Latest Practicable Date in Singapore, Malaysia and Indonesia by our Franchisees, Licensee and/or its sub-franchisees/sub-licensees, were due to various reasons including expiration of Franchise Agreement(s), sub-franchise agreement(s) or sub-licence agreement(s), unsatisfactory performance and other personal reasons.

For a detailed analysis, please refer to the section headed “Business — Shihlin Outlets and Restaurants network — New opening and closure during the Track Record Period and up to the Latest Practicable Date” of this prospectus.

PRODUCTS

We offer a comprehensive product portfolio under our *Shihlin Taiwan Street Snacks*[®] brand. As at the Latest Practicable Date, our Core Menu comprised eight Snacks Products and four Beverages Products. During the Track Record Period, our Snacks Products included XXL Crispy Chicken, Handmade Oyster Mee Sua, Sweet Plum Potato Fries, Seafood Tempura, Happy! Ricebox, Crispy Floss Egg Crepe, Sausage Cheese Egg Crepe, Mushroom Cheese Egg Crepe; while our Beverages Products included Winter Melon Tea, Smoked Plum Juice, Honey Lemon Cooler, Lemon Ai-Yu Jelly (with Honey) and our own range of bottled drinking water.

We adopt a cost-plus pricing policy and determine the prices of our menu competitively with reference to numerous considerations including the procurement costs taking into account the volatility of procurement prices of our ingredients and the availability of the ingredients, historical and expected local market demand, general market trends, pricing of our neighbouring competitors, purchasing power of local customers and customers’ value perception. During the Track Record Period, there was no material fluctuations in the menu prices of our Self-operated Outlets and Restaurants in Singapore or West Malaysia.

CUSTOMERS

In view of our four different revenue streams, we consider (i) general public consumers as our primary customers in respect of our sales via Self-operated Outlets and Restaurants; and (ii) our Franchisees and Licensee as our primary customers in respect of our (a) sales of goods comprising mainly beverages, food products and packaging materials to our Franchisees and Licensee; (b) Franchise Fees and Licence Fees; and (c) advertising and promotion fees collected from our Franchisees in Singapore and West Malaysia. For FY2017, FY2018 and FY2019, revenue generated from our five largest customers amounted to approximately S\$4.3 million, S\$4.8 million and S\$5.2 million, respectively, accounting for approximately 27.2%, 25.8% and 24.2% of our total revenue, respectively, and revenue from our largest customer accounted for approximately 18.4%, 16.2% and 16.3%.

SUPPLIERS

Our major suppliers are food suppliers and food processing companies which are mainly located in Singapore, Malaysia, Taiwan and Thailand. Save for two agreements for the provision of processed and unprocessed chicken to our Group in Singapore at our specifications, we generally do not enter into any long term purchase contracts with any of our suppliers and we order our supplies on as needed basis to allow flexibility. For further details, please refer to the section headed “Business — Suppliers” of this prospectus. For FY2017, FY2018 and FY2019, purchases from our five largest suppliers accounted for

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approximately 56.7%, 54.1% and 56.5% of our total purchase during the respective financial year and purchases from our largest supplier accounted for approximately 28.0%, 27.2% and 30.3% of our total purchase during the respective financial year.

COMPETITIVE STRENGTHS

We believe our competitive strengths include (i) our extensive Outlets and Restaurants network with a growing international presence; (ii) our multiple revenue stream promoting operational efficiency, cost-effective growth and strengthened financial position; (iii) our replicable and scalable model, enabling efficient and systematic opening of new Shihlin Outlets and Restaurants; (iv) our well-recognised Snacks Products and well recognised *Shihlin Taiwan Street Snacks*[®] brand; and (v) our visionary management team with proven execution capabilities.

FAST FOOD INDUSTRY

According to the Frost & Sullivan Report, the fast food industry in Singapore is expected to grow in the forthcoming years driven by market drivers such as affordable food product prices and convenience and opportunities with increasing frequency of diners in Singapore. Similarly, the fast food industry in Malaysia is expected to grow in the forthcoming years driven by market drivers such as increasing tourism market and opportunities with increasing demands from consumers in Malaysia for higher services efficiency and greater food variety. For further details on the analysis of the industry we operated in, please refer to the section headed “Industry Overview” of this prospectus.

KEY RISK FACTORS

We believe that we are subject to certain risks and uncertainties relating to our business, industry, conducting businesses in Singapore and Malaysia as well as risks associated with the Listing. Some of these include (i) our reliance on the market recognition of our *Shihlin Taiwan Street Snacks*[®] brand; (ii) our reliance on the franchise/licence model for, among others, expansion outside of Singapore and West Malaysia and a substantial portion of our revenue; and (iii) our reliance on landlords as we lease all premises for our Self-operated Outlets and Restaurants in Singapore and West Malaysia.

You should read the entire section headed “Risk Factors” of this prospectus carefully before deciding to invest in the Offer Shares.

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), our Company will be owned as to 75% by Brilliant Stride, which in turn is owned as to 50% by Mr. Wong and 50% by Mr. Tay. As Brilliant Stride is entitled to directly exercise or control the exercise of 30% or more of the voting power of our Company’s general meeting, Brilliant Stride is regarded as our Controlling Shareholder under the Listing Rules. By virtue of the Controlling Shareholders’ Confirmation, Mr. Wong and Mr. Tay will be a group of Controlling Shareholders. Therefore, Brilliant Stride, Mr. Wong and Mr. Tay will all be regarded as our Controlling Shareholders under the Listing Rules.

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LITIGATION AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, none of the members of our Group was involved in nor had we been aware of any pending or threatened legal proceedings, claims or arbitration which would have a material adverse effect on our business, results of operations, financial condition or reputation.

As confirmed by our Directors, our Singapore Legal Advisers and Malaysia Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we have obtained all material licences, permits and registrations required for carrying on our business activities.

SUMMARY OF OUR COMBINED FINANCIAL INFORMATION

The table below sets out a summary of our combined financial information during the Track Record Period, which has been extracted from and should be read in conjunction with the Accountant's Report set out in Appendix I to this prospectus:

Summary Combined Statements of Comprehensive Income

	FY2017	FY2018	FY2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Revenue	15,735	18,581	21,325
Cost of sales	(7,077)	(7,620)	(8,701)
Gross profit	8,658	10,961	12,624
Other income	139	174	258
Other losses	(175)	(33)	(17)
Selling and distribution expenses	(3,087)	(3,942)	(4,294)
Administrative expenses	(2,239)	(3,424)	(5,291)
Finance income/(cost) — net	91	49	(16)
Profit before income tax	3,387	3,785	3,264
Income tax expense	(250)	(656)	(1,000)
Profit for the year	3,137	3,129	2,264
<i>Non-IFRS information (Note):</i>			
Profit for the year	3,137	3,129	2,264
Add: Listing expenses	—	899	2,641
Adjusted profit for the year	3,137	4,028	4,905

Note: Adjusted profit for the year is derived by excluding the Listing expenses. The term of adjusted profit is not defined under the IFRSs. The adjusted profit for the year was presented because our Directors believe that it is an useful supplement to the combined statements of profit or loss and other comprehensive income as it reflects our profitability from our operations without taking into consideration of the non-recurring Listing expenses. However, the adjusted profit for the year should not be considered in isolation or construed as an alternative to gross profit or

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profit for the year prepared in accordance with IFRSs, or as an alternative to cash flows as a measurement of liquidity and shall be used for illustrative purpose only. Potential investors should be aware that the adjusted profit for the year presented in this prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation. For details, please refer to section headed “Financial Information — Non-IFRS measures” of this prospectus.

Summary Combined Statements of Financial Position

	As at 31 March		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Non-current assets	108	544	3,820
Current assets	10,751	6,703	8,974
Total assets	10,859	7,247	12,794
Current liabilities	6,561	3,240	5,449
Non-current liabilities	1,005	836	3,315
Total liabilities	7,566	4,076	8,764
Net current assets	4,190	3,463	3,525
Total equity and liabilities	10,859	7,247	12,794

Summary Combined Statements of Cash Flows

	FY2017	FY2018	FY2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Net cash generated from operating activities	3,254	3,167	2,350
Net cash generated from/(used in) investing activities	40	(460)	(3,419)
Net cash (used in)/generated from financing activities	(1,460)	(7,003)	1,326
Net increase/(decrease) in cash and cash equivalents	1,834	(4,296)	257
Cash and cash equivalents at beginning of the year	6,488	8,035	4,057
Exchange (losses)/gains on cash and cash equivalents	(287)	318	(51)
Cash and cash equivalents at end of the year	8,035	4,057	4,263

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Summary Financial Ratios

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>
Profitability ratios			
Net profit margin	19.9%	16.8%	10.6%
Return on total assets	28.9%	43.2%	17.7%
Return on equity	95.3%	98.7%	56.2%
	<u>As at/Year ended 31 March</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Liquidity ratios			
Current ratio	1.6	2.1	1.6
Quick ratio	1.6	1.8	1.5
Capital sufficiency ratios			
Gearing ratio ^(Note) (%)	0.2	0.2	92.0
Net debt to equity ratio	Net cash	Net cash	Net cash
Interest coverage	N/A	N/A	82.6 times

Note: Gearing ratio is calculated based on the total debt divided by total equity as at the respective year end. Total debt includes borrowings and non-trade amounts due to related parties.

The increase in our overall revenue during FY2017 to FY2019 was primarily attributable to the increase in revenue from the sales of goods mainly as a result of the opening of new Self-operated Outlets and Restaurants and Non-self-operated Outlets and Restaurants, and increase in selling prices of products sold.

We recorded an increase in adjusted profit for FY2018 as compared to FY2017 and for FY2019 as compared to FY2018 principally because of the increase in gross profit, while mitigated by the increase in selling and distribution expenses.

Our Group's net asset as at 31 March 2018 as compared to 31 March 2017 decreased from approximately S\$3.3 million to S\$3.2 million mainly because of (i) the decrease in cash and cash equivalents by approximately S\$4.0 million as at 31 March 2018 mainly due to dividends paid to shareholders of approximately S\$6.8 million during FY2018; and (ii) partial offset effect resulted from the decrease in trade and other payables by approximately S\$2.9 million mainly due to less dividends payable outstanding as at 31 March 2018.

The increases in return on total assets and return on equity for FY2018 as compared to FY2017 were mainly due to the decrease in cash and cash equivalents as a result of dividends paid and decrease in trade and other receivables and prepayments, while partially offset by the increase in property, plant and equipment and increase in inventories. The decrease in return on total assets and return on equity for FY2019 as compared to FY2018 were mainly due to the increase in cash and cash equivalents and trade and other receivables and prepayments and the decrease in net profit, mainly as a result of higher Listing expenses incurred during the year.

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We experienced a decrease in cash and cash equivalents as at 31 March 2018 as compared to 31 March 2017 because of cash outflow from financing activities of approximately S\$7.0 million for FY2018, which was primarily due to (i) dividends paid to shareholders of approximately S\$6.8 million; and (ii) Listing expenses paid of approximately S\$0.2 million. We experienced a marginal increase in cash and cash equivalents as at 31 March 2019 as compared to 31 March 2018 mainly due to net cash outflow as a result of the purchase of our office premises of approximately S\$3.4 million and dividends paid to shareholders of approximately S\$1.1 million, and offset by cash inflow from our operations of approximately S\$2.3 million and proceeds from borrowings of approximately S\$2.6 million.

SHARE OFFER STATISTICS

	Based on an Offer Price of	
	<i>HK\$0.65 per Share</i>	<i>HK\$0.75 per Share</i>
Market capitalisation of our Shares (HK\$)	520,000,000	600,000,000
Unaudited pro forma adjusted net tangible assets per Share (S\$)	0.027	0.031
Unaudited pro forma adjusted net tangible assets per Share (HK\$)	0.156	0.179

Note: The unaudited pro forma adjusted net tangible assets did not take into account the dividend of S\$1.0 million declared on 23 September 2019. Had such dividend been taken into account, the unaudited pro forma adjusted net tangible assets per Share would have been approximately S\$0.026 (equivalent to approximately HK\$0.150), assuming an Offer Price of HK\$0.65 per Share, and approximately S\$0.030 (equivalent to approximately HK\$0.173), assuming an Offer Price of HK\$0.75 per Share.

REASONS FOR THE LISTING

Our Directors believe that the Listing will, among others, (i) enhance our Group's profile and branding; (ii) the net proceeds from the Share Offer will strengthen our credibility and competitiveness and overall financial condition; (iii) enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of shares that are privately held; and (iv) enhance our credibility with banks, allowing us to improve our liquidity through bank loans, and enhance our debt over equity ratio.

Furthermore, our Directors are of the view that we had already developed wide publicity in Singapore and West Malaysia through our long history and marketing initiatives and had been gradually expanding our international presence over the years. Accordingly, an international corporate profile through listing on the Stock Exchange, as opposed to a domestic Singapore-based food and beverage group, would be more beneficial to our continuous growth and diversification, especially for the expansion of our Non-self-operated business model comprising franchising and licensing.

BUSINESS STRATEGIES AND USE OF PROCEEDS

Our principal business objective is to further solidify our market position as an established food and beverage group with international footprint and to create long-term Shareholder's value. Our Group relies on the opening of new Self-operated Outlets and Restaurants as our primary means to grow our overall revenue and profit and capture the market demand. Our Group's growth strategy is to expand through a mix of Self-operated Outlets and Restaurants and Non-self-operated Outlets and Restaurants.

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We estimate the net proceeds from the Share Offer which we will receive, assuming the Over-allotment Option is not exercised and an Offer Price of HK\$0.70 per Offer Share (being the mid-point of the Offer Price range), will be approximately HK\$90.9 million (equivalent to approximately S\$15.8 million). We intend to use the net proceeds from the Share Offer for the implementation of our business strategies as follows:

1. approximately 22.2%, or approximately S\$3.5 million, will be used to open up to 16 new Self-operated Outlets in Singapore by 31 March 2024 with an estimated investment of approximately S\$216,000 for each Self-operated Outlet;
2. approximately 16.5%, or approximately S\$2.6 million, will be used to open 20 new Self-operated Restaurants in West Malaysia by 31 March 2024 with an estimated investment of approximately S\$127,500 for each Self-operated Restaurant;
3. approximately 20.9%, or approximately S\$3.3 million, will be used for expansion of our Non-self-operated Outlets and Restaurants network;
4. approximately 15.8%, or approximately S\$2.5 million, will be used to refurbish around five Self-operated Outlets in Singapore and four Self-operated Restaurants in West Malaysia each year up to 31 March 2023 with an estimated capital expenditure of approximately S\$80,000 and S\$55,000 for each Self-operated Outlet in Singapore and Self-operated Restaurant in West Malaysia, respectively;
5. approximately 8.2%, or approximately S\$1.3 million, will be used to recruit staff in Singapore and West Malaysia;
6. approximately 8.2%, or approximately S\$1.3 million, will be used for our *Shihlin Taiwan Street Snacks*[®] brand development and targeted sales and marketing campaigns; and
7. approximately 8.2%, or approximately S\$1.3 million, will be used to develop our customised ERP system to enhance our data infrastructure and analysis systems and facilitate franchise management.

The above allocation of the net proceeds of the Share Offer will be adjusted on a pro rata basis in the event that the Offer Price is fixed below or above the mid-point of the indicative price range.

DIVIDENDS

For FY2017, FY2018 and FY2019, our Group declared and paid dividends of approximately S\$4.1 million, S\$3.4 million and S\$1.1 million, respectively to our Controlling Shareholders. On 23 September 2019, our Group declared a dividend of S\$1.0 million to our Controlling Shareholders, which is expected to be paid in October 2019.

The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. We have adopted a dividend policy, according to which our Board shall take into account, inter alia, the following factors when deciding whether to propose a dividend and in determining the dividend amount: (i) operating and financial

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results; (ii) cash flow situation; (iii) business conditions and strategies; (iv) future operations and earnings; (v) taxation consideration; (vi) interim dividend paid, if any; (vii) capital requirement and expenditure plans; (viii) interests of shareholders; (ix) statutory and regulatory restrictions; (x) any restrictions on payment of dividends; and (xi) any other factors that our Board may consider relevant. It is also subject to the approval of our Shareholders, the Companies Law, the Articles of Association as well as any applicable laws. We currently intend to adopt, after the Listing, a general dividend policy of declaring and paying dividends on an annual basis of not less than 40% of our consolidated net profit after tax for any particular financial year.

LISTING EXPENSES

The total Listing fees in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately S\$8.5 million (equivalent to approximately HK\$49.1 million), assuming the Over-allotment Option is not exercised and based on the mid-point of the indicative Offer Price range of HK\$0.70 per Offer Share and 200,000,000 Offer Shares. Among the estimated total Listing fees, (i) approximately S\$4.1 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately S\$4.4 million is expected to be recognised as expenses in our combined statements of profit or loss and other comprehensive income, of which approximately S\$0.9 million have been recognised for the year ended 31 March 2018 and approximately S\$2.6 million have been recognised for the year ended 31 March 2019, and the balance of approximately S\$0.9 million is expected to be recognised for the year ending 31 March 2020.

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, there were three new Self-operated Outlets and two new Non-self-operated Restaurants which opened in Singapore, one new Self-operated Restaurant, one new Non-self-operated Outlet and four new Non-self-operated Restaurants which opened in Malaysia, six new Non-self-operated Outlets and ten new Non-self-operated Restaurants which opened in Indonesia and two new Non-self-operated Restaurants which opened in Northern California. There was one Non-self-operated Outlet which closed in Singapore.

Based on the information provided by our Franchisees and Licensee as at the Latest Practicable Date, (i) eight Non-self-operated Outlets and/or Restaurants are under planning in Malaysia, five of which are expected to be opened in the fourth quarter of 2019; and (ii) one Non-self-operated Outlet is under planning in Singapore and is expected to be opened in the fourth quarter of 2019. As at the Latest Practicable Date, we have also entered into Franchise Agreements for the opening of franchise Outlet(s)/ Restaurant(s) in Brunei and Egypt, respectively. To the best knowledge and information of our Directors, additional time is required by the Brunei Franchisee to open the first franchise Outlet/ Restaurant in Brunei as the Brunei Franchisee requires time to formulate their Outlet(s) opening strategy and to prepare for the pre-requisites, including obtaining relevant licences/permits. To the best knowledge of our Directors, it is expected that the first franchise Outlet/Restaurant in Brunei and Egypt will be opened by the end of March 2020.

Our business operation remained stable after the Track Record Period and up to the Latest Practicable Date. Our business model, revenue structure and cost structure generally remained unchanged subsequent to the Track Record Period and up to the date of this prospectus. Based on the

SUMMARY

unaudited financial information of our Group subsequent to the Track Record Period, our revenue for the four months ended 31 July 2019 recorded a growth of approximately 25.5% as compared to the corresponding period in 2018, which was mainly due to the increase in sales from our Self-operated Outlets and Restaurants and sales to Franchisees and Licensee. As a result, our gross profit for the four months ended 31 July 2019 recorded a growth of approximately 27.3% as compared to the corresponding period in 2018.

Our Directors confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2019, being the date to which our latest audited financial information was prepared, and there had been no event since 31 March 2019 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

Offer Period

The application for the Public Offer will commence on Monday, 30 September 2019 through Tuesday, 8 October 2019, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, 22 October 2019. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 23 October 2019.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below. Certain technical terms are explained in the section headed “Glossary of Technical Terms” of this prospectus.

“Accountant’s Report”	the report of our reporting accountant, the text of which is set forth in Appendix I to this prospectus
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company conditionally adopted on 23 September 2019 to take effect upon the Listing Date, as amended, supplemented or otherwise modified from time to time, and a summary of which is set forth in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Australia”	the Commonwealth of Australia
“Baker Tilly”	Baker Tilly TFW LLP, an accounting and business advisory firm and the tax adviser engaged by our Company to review the Indonesia Master Licence Agreement
“Board”	our board of Directors
“Brilliant Stride”	Brilliant Stride Limited (翹邁有限公司), a company incorporated in the BVI on 21 November 2017 with limited liability and owned as to 50% and 50% by Mr. Tay and Mr. Wong, respectively
“Brunei”	Negara Brunei Darussalam
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are normally open for business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the allotment and issue of Shares upon capitalisation of certain amounts standing to the credit of our share premium account, details of which are set forth in the section headed “Statutory and General Information — Further Information about our Group — 4. Resolutions in writing of the sole Shareholder passed on 23 September 2019” in Appendix V to this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct participant or a 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 Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of our Board, Mr. Tay
“ChaoShang Securities”	ChaoShang Securities Limited, a licensed corporation permitted to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO, acting as one of the Joint Bookrunners and Joint Lead Managers for the Share Offer
“Clever Steed”	Clever Steed Limited (醒駿有限公司), a company incorporated in the BVI with limited liability on 22 November 2017 and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Co-lead Managers”	Alpha Financial Group Limited, Excellent Success Investments Limited, Head & Shoulders Securities Limited, Paragon Securities Limited, Solomon JFZ (Asia) Holdings Limited and ZACD Financial Group Limited
“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 Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company”, “our Company”, “us” or “we”	Snack Empire Holdings Limited (快餐帝國控股有限公司), an exempted company incorporated in the Cayman Islands under the Companies Law with limited liability on 2 February 2018 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinances on 17 May 2018
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transactions(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in the context of our Company as at the Latest Practicable Date, means Mr. Tay, Mr. Wong and Brilliant Stride, which are a group of Controlling Shareholders
“Controlling Shareholders’ Confirmation”	the confirmation entered into among Mr. Tay and Mr. Wong dated 11 September 2018
“Conyers Trust”	Conyers Trust Company (Cayman) Limited
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CPF”	the Central Provident Fund in Singapore, is a comprehensive social security system that enables working Singapore citizens and permanent residents to set aside funds for retirement
“Deed of Indemnity”	the deed of indemnity dated 23 September 2019 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), details of which are set forth in the section headed “Statutory and General Information — Other information — 14. Tax and other indemnities” in Appendix V to this prospectus
“Director(s)”	the director(s) of our Company
“East Malaysia”	the part of Malaysia also known as Sabah, Sarawak and Labuan on the island of Borneo
“Egypt”	the Arab Republic of Egypt

DEFINITIONS

“Extreme Conditions”	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong
“Frost & Sullivan”	Frost & Sullivan Limited, an international market research consultant and an Independent Third Party
“Frost & Sullivan Report”	the commissioned report on the market overview and competitive analysis for the fast food industry in Malaysia, Singapore and Indonesia compiled by Frost & Sullivan, the content of which is quoted in the section headed “Industry Overview” of this prospectus
“FY2017”	the financial year ended 31 March 2017
“FY2018”	the financial year ended 31 March 2018
“FY2019”	the financial year ended 31 March 2019
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case maybe) our predecessors, and “we”, “our” or “us” shall be construed accordingly
“HK\$”, “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited, our Hong Kong branch share registrar and transfer office
“IDR” or “Indonesian Rupiah(s)”	Indonesian Rupiah, the lawful currency of Indonesia
“IFRSs”	the International Financial Reporting Standards issued by the International Accounting Standards Board

DEFINITIONS

“Independent Third Party(ies)”	third party(ies) independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive officer or substantial shareholders of our Company, our subsidiaries or any of their respective associates
“Indonesia”	the Republic of Indonesia
“Indonesia Legal Advisers”	Tuah & Suparto, the legal advisers to our Company as to Indonesia laws
“Interactivemedia AD”	Interactivemedia AD, a sole proprietorship initially registered by Mr. Tay on 20 December 1999 and acquired by STSS Company on 10 July 2003 from Mr. Tay and an Independent Third Party (who joined the sole proprietorship on 1 June 2000) and deregistered on 26 February 2018
“Joint Bookrunners” or “Joint Lead Managers”	ChaoShang Securities and Lego Securities
“Latest Practicable Date”	21 September 2019, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Lego Securities”	Lego Securities Limited, a licensed corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO, acting as one of the Joint Bookrunners and Joint Lead Managers for the Share Offer
“Listing”	the commencement of trading of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date expected to be on or about Wednesday, 23 October 2019, on which our Shares are listed and from which dealings in our Shares commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Malaysia”	the Federation of Malaysia, which includes West Malaysia and East Malaysia

DEFINITIONS

“Malaysia Legal Advisers”	David Lai & Tan, the legal advisers to our Company as to the laws of Malaysia
“Malaysia ringgit” or “MYR” or “RM”	Ringgit Malaysia, the lawful currency of Malaysia
“Malaysia Tax Agent”	OKL & Partners PLT, a chartered accountants and tax advisory firm and the Malaysia tax agent to our Company
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, conditionally adopted on 23 September 2019 to take effect upon the Listing Date, as amended supplemented or otherwise modified from time to time, a summary of which is set forth in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix IV to this prospectus
“Mr. Tay”	Mr. Daniel Tay Kok Siong, our Chairman, executive Director and a Controlling Shareholder
“Mr. Wong”	Mr. Wong Chee Tat (黃志達), our chief executive officer, executive Director, and a Controlling Shareholder
“Northern California”	consisting of the northernmost 48 counties in California U.S., from the north border of California, south through the entirety of Monterey, Kings, Tulare and Inyo counties, inclusive
“NTD”	New Taiwan dollar, the lawful currency of Taiwan
“Offer Price”	the final price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%), to be determined on the Price Determination Date, and which is not more than HK\$0.75 per Offer Share and expected to be not less than HK\$0.65 per Offer Share
“Offer Shares”	collectively, the Public Offer Shares and the Placing Shares, and where relevant, any additional Shares allotted and issued pursuant to the exercise of the Over-allotment Option
“Operating Subsidiaries”	the operating subsidiaries of our Company as at the Latest Practicable Date, namely (i) STSS Company; (ii) Shihlin (HM); (iii) Umami; (iv) STSS Resources; (v) Shihlin (313); (vi) STSS Integrated; (vii) Shihlin (JP); (viii) Shihlin (TM); (ix) Shihlin (HF); (x) Shihlin (NP); (xi) STSS IP; (xii) STSS Concepts; and (xiii) STSS Resources (M)

DEFINITIONS

“Over-allotment Option”	the option expected to be granted by our Company to the Placing Underwriters exercisable by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 30,000,000 additional Offer Shares at the Offer Price, (representing 15% of the number of Offer Shares initially being offered under the Share Offer) for the sole purpose of covering over-allocation in the Placing
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price to professional, institutional and other investors as set forth in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Placing Shares”	the 180,000,000 Shares being initially offered by us for subscription at the Offer Price pursuant to the Placing, subject to reallocation and the Over-allotment Option, as set forth in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Placing Underwriters”	the Underwriters of the Placing, 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 expected to be entered into on or about the Price Determination Date by, <i>inter alia</i> , our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters, details of which are set forth in the section headed “Underwriting” of this prospectus
“PRC” or “China”	the People’s Republic of China, and for the purpose of this prospectus only, exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Price Determination Date”	the date, expected to be on or around Friday, 11 October 2019 on which the final Offer Price is to be fixed for the purpose of the Share Offer but in any event no later than Monday, 21 October 2019
“Public Offer”	the offering of the Public Offer Shares for subscription by members of the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms

DEFINITIONS

“Public Offer Shares”	the 20,000,000 Shares being initially offered by us for subscription pursuant to the Public Offer, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer whose names are set forth in the section headed “Underwriting — Hong Kong Underwriters” of this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 27 September 2019 relating to the Public Offer entered into by our Company, our executive Directors, the Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” of this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation of the companies within our Group, details of which are set forth in the section headed “History, Reorganisation and Group Structure” of 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) in the share capital of our Company with a nominal or par value of HK\$0.01 each
“Shareholder(s)”	holder(s) of Shares
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 23 September 2019 as described in the section headed “Statutory and General Information — Share Option Scheme” in Appendix V to this prospectus
“Shihlin (313)”	Shihlin Taiwan Street Snacks (313) Pte. Ltd., a company incorporated in Singapore on 1 December 2005 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation

DEFINITIONS

“Shihlin (HF)”	Shihlin Taiwan Street Snacks (HF) Pte. Ltd., a company incorporated in Singapore on 1 April 2013 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Shihlin (HM)”	Shihlin Taiwan Street Snacks (HM) Pte. Ltd., a company incorporated in Singapore on 11 April 2005 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Shihlin (JP)”	Shihlin Taiwan Street Snacks (JP) Pte. Ltd., a company incorporated in Singapore on 15 December 2011 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Shihlin (NP)”	Shihlin Taiwan Street Snacks (NP) Pte. Ltd., a company incorporated in Singapore on 22 June 2015 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Shihlin (TM)”	Shihlin Taiwan Street Snacks (TM) Pte. Ltd., a company incorporated in Singapore on 26 June 2012 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Singapore”	the Republic of Singapore
“Singapore Legal Advisers”	Bird & Bird ATMD LLP, the legal advisers to our Company as to Singapore law
“Singapore Tax Adviser”	WSC Partnership, a Singapore Accounting Firm of Chartered Accountants and the Singapore tax adviser to our Company
“Sole Sponsor”	Lego Corporate Finance Limited, a corporation licensed by the SFC to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the sole sponsor of the Listing
“sq.ft.”	square feet
“Stabilising Manager”	ChaoShang Securities
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between Brilliant Stride and the Stabilising Manager, pursuant to which the Stabilising Manager may borrow up to 30,000,000 Shares to cover any over-allocation in the Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“STSS (1U)”	STSS (1U) Sdn. Bhd, a company incorporated in Malaysia on 29 June 2007, owned as to 50% by Mr. Tay and 50% by Mr. Wong, and is under the process of being struck off as at the Latest Practicable Date
“STSS Company”	The STSS Company Pte. Ltd., a company incorporated in Singapore on 4 June 2003 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“STSS Concepts”	STSS Concepts Sdn. Bhd., a company incorporated in Malaysia on 20 June 2008 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“STSS Integrated”	STSS Integrated Pte. Ltd., a company incorporated in Singapore on 7 November 2007 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“STSS IP”	STSS IP Pte. Ltd., a company incorporated in Singapore on 25 February 2018 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“STSS Resources”	STSS Resources Pte. Ltd., a company incorporated in Singapore on 1 December 2005 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“STSS Resources (M)”	STSS Resources Sdn. Bhd., a company incorporated in Malaysia on 13 July 2012 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“S\$” or “SGD”	Singapore dollars, the lawful currency of Singapore
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the three financial years ended 31 March 2019
“Umami”	Umami Concepts Pte. Ltd., a company incorporated in Singapore on 18 October 2005 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters

DEFINITIONS

“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America
“United States Legal Advisers”	Nixon Peabody LLP, the legal advisers to our Company as to United States laws
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“West Malaysia”	western part of Malaysia which lies on the Malay Peninsular and surrounding islands
“ 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 applicants’ own name
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent

All dates and times in this prospectus refer to Hong Kong dates and times unless otherwise stated.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Any discrepancy in any table between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This prospectus contains conversions/translations of certain amounts in different currencies at specified rate. No representation is made that these translations can be or could have been converted at such rates or at all.

In this prospectus, if there is any inconsistency between English names and their Chinese translations, the English names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain definitions of technical terms used in this prospectus in connection with the business of our Group. As such, some terms and definitions may not correspond to standard industry definitions or usage of these terms.

“A La Carte”	individual dish(es) from the menu
“Beverages Products”	drinks products offered at our Shihlin Outlets and Restaurants
“CAGR”	compound annual growth rate
“Core Menu”	a selected menu comprising certain core Snacks Products, which are included in all the menu at our Self-operated Outlets and Restaurants
“East Malaysia Master Franchise”	the master franchise right to operate, and to sub-franchise such right to operate Shihlin Outlet(s) and/or Restaurant(s) in East Malaysia
“Egypt Master Franchise”	the master franchise right to operate, and to sub-franchise such right to operate Shihlin Outlet(s) and/or Restaurant(s) in Egypt
“Franchise Agreement(s)”	franchise agreement(s) entered into between our Group and our Franchisee(s) in respect of the Units Franchise or the Master Franchise
“Franchise Fees” or “Licence Fees”	franchise fees or licence fees (as the case may be) comprising an one-off upfront franchise/licence payment and monthly royalties payable during the effective term of franchise/licence by the Franchisees or Licensee to our Group
“Franchisees”	Units Franchisees and Master Franchisees, collectively and “Franchisee” means any one of them
“Indonesia Master Licence” or “Master Licence”	the master licence granted by STSS Company to the Master Licensee in respect of, among others, the right to use our intellectual property rights, and to sub-license such rights to use our intellectual property rights, in Indonesia
“Indonesia Master Licence Agreement” or “Licence Agreement”	the agreement dated 13 September 2018 entered into between STSS Company and the Master Licensee in relation to the grant of the Indonesia Master Licence
“Licensee” or “Master Licensee”	the master licensee to which STSS Company granted the Indonesia Master Licence

GLOSSARY OF TECHNICAL TERMS

“Master Franchise(s)”	master franchise right(s) to open and operate, and to sub-franchise the right(s) to operate Outlet(s) or Restaurant(s) within a designated territory
“Master Franchisee(s)”	person(s) or entity(ies) granted the franchise right(s) under the Master Franchise(s)
“Master Franchise Agreement(s)”	master franchise agreement(s) entered into between our Group and our Master Franchisee(s) in respect of the Master Franchise
“Meal Combo”	a packaged meal set comprising selected items of our Snacks and Beverages
“Multiple Units Franchise(s)”	the franchise right(s) to open and operate multiple Outlets and/or Restaurants under our <i>Shihlin Taiwan Street Snacks</i> [®] brand
“Multiple Units Franchisee(s)”	person(s) or entity(ies) granted the Multiple Units Franchise(s)
“Non-self-operated”	operated by Independent Third Parties and not by our Group
“Northern California Master Franchise”	the master franchise right to operate, and to sub-franchise such right to operate Shihlin Outlet(s) and/or Restaurant(s) in Northern California
“Operating Agreement(s)”	the operating agreement(s) entered into between our Group and certain of our Franchisees
“Outlet(s)”	take-out outlet(s) comprising a front counter and kitchen with no seating
“Pooled Marketing Fund(s)”	pooled funds comprising of funds received from our Franchisees in Singapore and West Malaysia that are aggregated for marketing purposes, as detailed in the section headed “Business — Advertising and Marketing — Pooled Marketing Funds” of this prospectus
“Restaurant(s)”	self-service restaurant(s) comprising front counter, kitchen and seatings
“Self-operated”	operated by our Group
“Shihlin Outlet(s)”	Outlet(s) operating under our <i>Shihlin Taiwan Street Snacks</i> [®] brand
“Shihlin Outlets and Restaurants”	Shihlin Outlets and Shihlin Restaurants
“Shihlin Restaurant(s)”	Restaurant(s) operating under our <i>Shihlin Taiwan Street Snacks</i> [®] brand

GLOSSARY OF TECHNICAL TERMS

“Single Unit Franchise(s)”	the franchise right(s) to open and operate a single Outlet or Restaurant under our <i>Shihlin Taiwan Street Snacks</i> [®] brand
“Single Unit Franchisee(s)”	person(s) or entity(ies) granted the Single Unit Franchise(s)
“Snacks and Beverages”	our Snacks Products and Beverages Products
“Snacks Products”	food and snacks products offered at our Shihlin Outlets and Restaurants
“Units Franchise(s)”	Single Unit Franchises and Multiple Units Franchises
“Units Franchisees”	Single Unit Franchisees and Multiple Units Franchisees, collectively and “Units Franchisee” means any one of them

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements stating our Company's belief, expectations, or intentions for the future. The words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "plan", "potential", "project", "seek", "should", "will", "would" and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements.

These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

These forward-looking statements include, without limitation, statements relating to:

- our business strategies;
- our capital expenditure plans;
- our business prospects, including development plans for our existing business;
- our financial condition and results of operations;
- changes in the policies, legislation, regulations or practices relating to our business operations in the countries in which we operate;
- changes in the economic conditions in the countries in which we operate, including a downturn in general economy;
- the regulatory environment and industry outlook in general;
- future developments and competition in the markets we operate; and
- other factors beyond our control.

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

In this prospectus, statements of or references to the intentions or views of our Company or our Directors are made as at the date of this prospectus, which may change in light of future developments.

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You should carefully consider all the information in this prospectus, including the risks and uncertainties described below and our financial statements and the related notes, prior to investing in our Shares. The risk factors relating to our business, industry and countries we operate in may not typically be associated with investing in equity securities of similar companies from other jurisdictions. Our business, financial conditions, results of operations and cash flows could be materially and adversely affected by any of these risks. The trading price of our Shares could decrease due to any of these risks and you may lose all or part of your investment.

These risk factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as at the Latest Practicable Date, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-Looking Statements” of this prospectus.

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

RISKS RELATING TO OUR BUSINESS

Our success substantially depends on the market recognition of our single *Shihlin Taiwan Street Snacks*[®] brand. Any negative publicity, negative reviews or damage to our brand could materially and adversely impact our business and results of operations

As at the Latest Practicable Date, we operated under a single *Shihlin Taiwan Street Snacks*[®] brand. We believe that our success substantially depends on the market recognition of our *Shihlin Taiwan Street Snacks*[®] brand and our continued success will depend in large part on our ability to protect and enhance its value. Any incident that erodes consumer trust in or affinity for our brand could significantly reduce its value. As we continue to grow in size, expand our range of Snacks and Beverages products and extend our geographic reach, maintaining quality and consistency may become more difficult and we cannot assure you that customer confidence in our brand will not diminish. If consumers perceive or experience a reduction in food quality or value-for-money, or believe in any way that we are failing to deliver a consistently positive experience, the value of our brand could suffer, which could have a material adverse effect on our business.

It is common in the fast food industry that food critics analyse food and services and then publish their commentary experience. We are usually not informed before such food critics visit and we have no control on what is written by these food critics. If food critics publish negative comments or reviews about their experience with us, this may adversely affect our business. Any complaints and negative publicity, regardless of their validity, may adversely affect our reputation. If there is any negative publicity or review associated with our Shihlin Outlets or Shihlin Restaurants and our brand reputation is negatively affected, the results of our Group’s business operations could be adversely affected.

We rely on Non-self-operated Outlets and Restaurants, which are not operated by our Group

A substantial portion of our revenue are derived from our franchise/licence model, including revenue from sales of goods comprising mainly beverages, food products and packaging material to the Franchisees and Licensee, Franchise Fees and Licence Fees and advertising and promotion fees from

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Franchisees. For FY2017, FY2018 and FY2019, revenue derived from our franchise/licence operation amounted to approximately S\$8.8 million, S\$10.0 million and S\$10.8 million, respectively, accounting for approximately 56.1%, 53.7% and 50.7% of the total revenue, respectively.

In addition, as we do not have any presence of business operations outside Singapore and West Malaysia, we rely on the franchise/licence model for expansion of our international presence. Approximately 19.9%, 18.6% and 18.1% of our revenue during FY2017, FY2018 and FY2019, respectively were generated from overseas markets outside Singapore and Malaysia.

The occurrence of any of the following events, among others, could cause fluctuations or declines in our revenue and could have an adverse effect on our financial condition and results of operations: (i) any delays or cancellation of material sale orders from any of our Franchisees or Licensee; (ii) any material decrease in sales at our Non-self-operated Outlets or Restaurants; (iii) failure to renew any Franchise Agreements, the Indonesia Master Licence Agreement and/or any of the sub-licence agreements in Indonesia; and (iv) termination of any of the material Franchise Agreement, or our East Malaysia Master Franchise, Northern California Master Franchise, Indonesia Master Licence or Egypt Master Franchise.

Furthermore, out of our five largest customers during the Track Record Period, five relate to the franchise/licence arrangements. For FY2017, FY2018 and FY2019, revenue generated from our five largest customers amounted to approximately S\$4.3 million, S\$4.8 million and S\$5.2 million, respectively, accounting for approximately 27.2%, 25.8% and 24.2% of our total revenue, respectively. There is no assurance that we will be able to maintain our relationships with those major Franchisee or Licensee customers. In the event of any disagreements with any of those major Franchisees or Licensee, or if any of those major Franchisees or Licensee discontinues or terminates the existing arrangements with our Group and we fail to find a replacement on similar terms or at all, our revenue will decrease and our overall financial performance may be adversely affected.

There is no assurance that we are able to maintain and sustain our franchise/licence model and operations, which are not within our control. Any material disruptions may adversely affect our revenue materially and substantially.

As we lease all of the properties for our Self-operated Outlets and Restaurants, we are exposed to risks relating to the commercial real estate rental market in Singapore and Malaysia. Our financial performance may be adversely affected if we fail to renew our existing leases or identify alternative premises on commercially reasonable terms and conditions

We lease all the properties for our Self-operated Outlets and Restaurants. Accordingly, rental costs account for a significant portion of our operating expenses. For FY2017, FY2018 and FY2019, rental and related expenses in connection with our Self-operated Outlets and Restaurants premises amounted to approximately S\$1.0 million, S\$1.2 million and S\$1.4 million, representing approximately 18.9%, 18.5% and 20.3% of our Group's operating costs, respectively.

Lease agreements for our Self-operated Outlets and Restaurants typically have an initial term ranging from two to three years. Some of our lease agreements provide that the rent will increase within the initial term or after the initial term at a fixed rate or at the then prevailing market rate. If we fail to

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renew any of our existing leases, we will have to identify alternative premises. Our business operations may be interrupted as a result of the relocation and we may incur additional costs and expenses in connection with the restoration and/or relocation.

Further, if a lease agreement is renewed at a rate substantially higher than the existing rate or any existing favourable terms granted by the landlord, if any, is not extended, we must evaluate whether renewal on such modified terms is in our interest. If we are unable to renew leases for our Self-operated Outlet or Restaurant premises, we will have to close or relocate the relevant Self-operated Outlet or Restaurant, which would lead to loss of sales during the period of closure, write-off of fixed assets and could subject us to installation and renovation and other costs and risks. In addition, the revenue and any profit generated at a relocated Self-operated Outlet or Restaurant may be less than the revenue and profit previously generated at the closed Self-operated Outlet or Restaurant. Therefore, any inability to renew existing leases on commercially acceptable terms could adversely affect our business, results of operations and financial condition. We also compete with other food and beverage companies for prime locations in a highly competitive market for premises. There is no assurance that we will be able to enter into new lease agreements for attractive locations or renew existing lease agreements on commercially reasonable terms, if at all. Therefore, any inability to obtain leases for desirable Self-operated Outlet and Restaurants locations on commercially reasonable terms could adversely affect our business, results of operations and financial condition.

We do not conduct any review or evaluation on the sub-licensees and rely substantially on our Master Licensee to monitor, oversee and supervise the operations of the Non-self-operated Outlets or Restaurants in Indonesia

We rely on our Master Licensee to select sub-licensees and we do not have any direct contractual relationship with the sub-licensees enabling our Group to take any actions against any of the sub-licensees. The rights and obligations of our Group in connection with the licensing arrangement in Indonesia is solely limited to the Indonesia Master Licence Agreement entered into between our Group and the Master Licensee, pursuant to which, the Master Licensee is required to, among others, maintain an active role in the management and operations of the Shihlin Outlets and Restaurants. There is no means for our Group to assess the management of the Non-self-operated Outlets and Restaurants in Indonesia, save through reports submitted by the Master Licensee to our Group and an annual visit conducted by our Group. Furthermore, as the sub-licensees are contractually liable to the Master Licensee only, in the event that our Group suffered any consequential losses as a result of poor management on the part of the sub-licensees, we may only seek indemnity from the Master Licensee. There is no assurance that the Master Licensee will fulfil the rights and obligations as to management and supervision on the sub-licensees, and to undertake all necessary actions to protect the interests of our Group adequately and in a timely manner. For further details, please refer to the section headed “Business — Non-self-operated Outlets and Restaurants — Sub-franchisees and sub-licensees” of this prospectus.

Any failure by the Master Licensee to properly and timely monitor, oversee and supervise the operations of the Non-self-operated Outlets or Restaurants in Indonesia to ensure no mismanagement by its sub-licensees could negatively affect our brand and could potentially adversely affect our business, financial condition and results of operations.

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The application of IFRS 16 will affect our statement of financial position, profile of profit and loss statement and certain key ratios (including gearing ratio) when it becomes effective due to our operating lease arrangements

As at the Latest Practicable Date, majority of our properties for which we operate our business on were obtained through leases, which the relevant leases were classified as operating leases. Our current accounting policy for such leases is set out in note 2.15 to the Accountant's Report. As at 31 March 2019, our future minimum operating lease payables under non-cancellable leases where we are a lessee amounted to approximately S\$2.8 million.

During the Track Record Period, our future operating lease commitments were not reflected in our combined statements of financial position. IFRS 16, which we expect to apply from the financial year beginning 1 April 2019, provides new provisions for the accounting treatment of leases. We expect the implementation of IFRS 16 will require the recognition of such leases in the form of right-of-use asset and lease liabilities, initially at discounted present value of the future operating lease commitments, which will affect our combined statements of financial position for the financial year commencing 1 April 2019. The expected impact on our combined statements of profit or loss and other comprehensive income will primarily be the recognition of depreciation for the right-of-use asset and interest expense on the lease liability instead of rental expenses which, on a lease-by-lease basis, will result in higher total expense being recognised in the initial years of the lease and even out throughout the remaining term of the lease. Based on our management's analysis, there will be no material impact on the total expenses to be recognised over the entire lease period and our total net profit over the lease period is not expected to be materially affected, while our combined statements of financial position will be adversely affected. The adoption of IFRS 16 would not affect our Group's total cash flows in respect of the leases.

As the recognition of right-of-use assets and lease liabilities in accordance with IFRS 16 will expand our combined statement of financial position, all commonly used financial ratios and performance metrics such as total debt to equity ratio, gearing ratio, current ratio, interest coverage, return on equity, earnings before interest and tax ("EBIT"), earnings before interest, tax, depreciation and amortisation ("EBITDA"), and operating cash flows will be affected. In particular, the adoption of the IFRS 16 will result in a potential increase in total debt to equity ratio and a potential decrease in our net current assets and current ratio.

In our combined statement of profit or loss and other comprehensive income, the adoption of IFRS 16 will give rise to recognition of depreciation of the right-of-use assets and instead of recognition of lease payments as rental expenses. Amortisation expense associated with the right-of-use assets will be charged over the life of the lease on a straight-line basis. Interest expenses on the lease liability will be charged under finance costs with reference to the incremental borrowing rate of our Group and is expected to reduce over the life of the leases as lease payments are made. As a result, the rental expense under otherwise identical circumstances will decrease, while depreciation and interest expense will increase and lead to a potential increase in EBIT, EBITDA, gearing ratio and decrease in interest coverage ratio. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a change of expenses recognition pattern, in particular, a higher total charge to the statement of comprehensive income in the initial year of the lease, and decreasing expenses during the latter part of the lease term and it may lead to a decrease in

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profit before tax in the initial year of the lease as a result. For further details and impacts of the application of IFRS 16, please refer to Note 2.1.1 of the Accountant's Report in Appendix I to this prospectus.

We may be unable to maintain our relationship with our Franchisees and Licensee and we may fail to engage new franchisees and/or licensees

We generally enter into exclusive agreements with our Franchisees for a term of five years or five to eight years under our Master Franchises and Master Licence. These agreements include terms about the products to be sold by our Franchisees and/or Licensee, the designated outlet or territory and pricing policies. We may be unable to enter into new or renewal agreements with our Franchisees and/or Licensee when the existing agreements expire as they may choose to enter into arrangements with our competitors, who may offer them access to a stronger product portfolio or more favourable economic terms. The loss of our Franchisees and/or Licensee could adversely affect our sales volume. There is no assurance that our current or future agreements with our Franchisees and/or Licensee could be renewed or negotiated on terms equivalent to or better than current terms. Any disruption in our relationships with our Franchisees and/or Licensee could affect our ability to maintain and grow our sales volume, which could materially and adversely affect our business, results of operations and financial position. In addition, there can be no assurance that we would be able to develop new relationships with additional franchisees and/or licensees or replace existing ones in order to expand our distribution network.

We have limited control over the operations and manner of sales by our Franchisees and/or Licensee (including sub-franchisees/sub-licensees), and the customers of our Franchisees and/or Licensee, and the wrongdoings of sub-franchisees/sub-licensees may adversely affect our reputation and performance

We will monitor and provide guidance to our Franchisees in Singapore and West Malaysia for the opening of their Non-self-operated Outlet(s) and/or Restaurant(s), but we have no ownership or managerial control over any of our Franchisees and/or Licensee and sub-franchisees/sub-licensees. We cannot assure you that we will be able to monitor all aspects of our Franchisees' or Licensee's operations, especially in places other than Singapore and West Malaysia, thoroughly and substantively. We are unable to control the sub-franchisees/sub-licensees as we have no direct contractual relationships with the sub-franchisees/sub-licensees and their actions or wrongdoings may adversely affect our reputation and performance. Even though we have direct contractual relationships with our Franchisees and Licensee, we cannot assure you that our Franchisees and Licensee, especially in places other than Singapore and West Malaysia, will at all times strictly adhere to the terms and conditions of our Franchise Agreements or the Indonesia Master Licence Agreement. In addition, we may be unable to successfully manage our Franchisees or Licensee and their sub-franchisees/sub-licensees, especially in places other than Singapore and West Malaysia. There can be no assurance that we will be successful in detecting any non-compliance by our Franchisees or Licensee or their sub-franchisees/sub-licensees, especially in places other than Singapore and West Malaysia, with the provisions of their Franchise Agreements or the Indonesia Master Licence Agreement. Non-compliance by our Franchisees or Licensee or their sub-franchisees/sub-licensees could, among other things, negatively affect our brand, demand for our products, our relationships with other Franchisees or Licensee or their sub-franchisees/sub-licensees and our performance.

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

As we are not involved in the manufacturing processing of raw materials and semi-processed products we use in the processing of the Snacks and Beverages sold at our Self-operated Outlets and Restaurants, we do not have absolute control over their quality. The sale of Snacks and Beverages for human consumption involves inherent risks of personal injury to consumers, which includes risks posed by the following:

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

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

The future growth of our Group relies on our ability to open and operate new Self-operated Outlets and Restaurants, our new Self-operated Outlets and Restaurants may not operate as successfully as we anticipated and we may be unable to increase our market share or at all

The fast food industry is highly competitive and the success of opening one Self-operated Outlet or Restaurant in one location is not indicative of our Group's ability to successfully open and operate a different Self-operated Outlet or Restaurant at a different location. Our Directors believe that the future

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growth of our Group relies on its ability to open and operate new Self-operated Outlets and Restaurants in a profitable manner. It is one of our future business plans to open up to 16 new Self-operated Outlets in Singapore and up to 20 new Self-operated Restaurants in West Malaysia by 31 March 2024 using the net proceeds from the Share Offer. We also plan to open one additional new Self-operated Outlet in Singapore and two additional new Self-operated Restaurants in West Malaysia using our internal resources. Our ability to successfully open new Self-operated Outlets and Restaurants is subject to a number of risks and uncertainties, including but not limited to, identifying suitable locations, securing leases on reasonable terms, timely securing necessary governmental approvals and licences, ability to hire employees, and timely delivery in decoration and renovation works. The costs incurred in opening of new Self-operated Outlets and Restaurants and the expansion plans may place substantial strain on the managerial, operational and financial resources of our Group. In particular, our management may be stretched or distracted by the operation of new Self-operated Outlets and Restaurants. There is no assurance that the managerial, operational and financial resources of our Group will be adequate to support the expansion plans. Moreover, there is no guarantee that our Group will be able to attract enough customers to the new Self-operated Outlets and Restaurants. Our historical sales, growth and profitability is not a guarantee of the future sales, growth potential and profitability of our new Self-operated Outlets and Restaurants and there is no assurance that the revenue of each of our Group's new Self-operated Outlets and Restaurants would be equal to or exceed those of our existing Self-operated Outlets and Restaurants. If our Group fails to run the new outlets profitably, our Group's financial performance may be adversely affected.

Our business operations in Singapore rely on the supply of semi-processed food and beverage from food processing companies

During the Track Record Period, we primarily relied on external food processing companies to prepare semi-processed food and beverage for use at our Shihlin Outlets and Restaurants in Singapore. As such, we relied on the ability and efficiency of external food processing companies to process and supply semi-processed food and beverage to us and our external food processing companies play a vital role in our business operations in Singapore. Generally, we do not enter into long-term supply agreements with our external food processing companies. Any disruption to the business of our external food processing companies may inevitably have an impact on their ability to supply products in accordance with our requirements. If any of our external food processing companies terminate their business relationships with us or if there are any unfavourable changes to our current business arrangements, we may be unable to identify suitable alternative external food processing companies in a timely manner to supply food and beverage with comparable quality, and on terms and prices equivalent to or better than the current business arrangements. Any of the above may adversely affect our business, results of operations and financial condition.

We rely on our central kitchen in West Malaysia to supply some of our semi-processed or processed food ingredients used at our Shihlin Outlets and Restaurants in Malaysia and any disruption of operation at our central kitchen in West Malaysia could adversely affect our business and operations

We centralise the process of ingredient preparation at our central kitchen in West Malaysia to prepare some of the semi-processed or processed food ingredients used at our Shihlin Outlets and Restaurants in Malaysia. Any disruption of operations at our central kitchen, such as electricity or water suspensions, for whatever reason, may result in our failure to deliver food ingredients to our Shihlin

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Outlets and Restaurants in Malaysia in a timely manner, or at all, which may lead to suspension or removal of certain items or dishes from their menus, whether temporarily or on a permanent basis. If we are unable to offer certain items or dishes, we may experience a significant reduction in revenue and our brand may suffer, resulting in a material adverse effect on our business and results of operations. As such, any disruptions at the central kitchen may potentially increase our cost and time in preparation of the ingredients leading to a decrease in revenue which ultimately have an adverse impact on our financial performance.

Additional capital expenditure for our expansion plan may result in a significant increase in our depreciation charge

Our Group will endeavour to adopt business strategies including opening of up to 16 new Self-operated Outlets in Singapore and up to 20 new Self-operated Restaurants in West Malaysia by 31 March 2024 using the net proceeds from the Share Offer. We anticipate that our future capital expenditures will increase as we open new Self-operated Outlets in Singapore and new Self-operated Restaurants in West Malaysia and expand our operations. Our projected capital expenditures for the opening of up to 16 new Self-operated Outlets in Singapore and up to 20 Self-operated Restaurants in West Malaysia will be approximately S\$1.3 million and S\$1.1 million, respectively. We expect that our planned capital expenditures will be primarily used for property, plant and equipment for our expansion plans of opening new Self-operated Outlets and Restaurants in Singapore and West Malaysia. Such capital expenditures are expected to result in increase in depreciation expenses of approximately S\$22,000 and S\$0.1 million for the two years ending 31 March 2020 and 2021, respectively, which may in turn adversely affect our results of operations.

Our efforts in developing, launching and promoting new menus may be unsuccessful

The fast food industry we operate in is highly competitive and consumers are tempted to shift their choices and preference whenever new products are launched or introduced by various marketing and pricing campaigns of different brands. In light of the highly competitive and volatile environment, our future growth depends on our ability to continue to introduce new menus and flavours. Developing and introducing new menus can be risky and expensive, and we cannot assure you that our new menus or flavours will gain market acceptance or meet the particular tastes or requirements of consumers. We may not be able to introduce new menus that are fast-growing or generate acceptable margins. In addition, we may fail to reduce production of our menus that are experiencing declining consumption in a timely and cost-effective manner. To the extent we are unable to execute our strategy of continuously introducing new menus, improving our menus and satisfying consumers' changing preferences, our market share and financial performance would be negatively affected.

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

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

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

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

Any fluctuation in the prices of our food and beverage ingredients could adversely affect our costs and profitability

For FY2017, FY2018 and FY2019, the total costs for our food and beverage amounted to approximately S\$6.6 million, S\$7.1 million and S\$8.2 million, respectively, accounting for approximately 93.4%, 93.2% and 94.3% of our total cost of sales, respectively. The food and beverage ingredients we use are subject to price volatility caused by external conditions, such as commodity price fluctuations, supply and demand dynamics, logistics and processing costs, our bargaining power with the relevant suppliers and external processing companies, inflation, and governmental regulations and policies. Prices may fluctuate and be affected by inflation and other factors over which we have no control. We did not enter into any long term agreement for the purchase of our food and beverage ingredients. We may be unable to offset all price increases by raising the selling prices of our Snacks and Beverages. Moreover, we may lose our competitive advantage if the selling prices of our Snacks and Beverages increase significantly. If the prices of food ingredients increase in the future and we are unable to manage those costs or increase the selling prices of our Snacks and Beverages to offset those increased costs, our margins and overall profitability may decrease, which could adversely affect our business, results of operations and financial condition.

We rely on logistics services rendered by third parties

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

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Opening of new food and beverage outlets by competitors in or near locations in which we operate may negatively affect our sales at our existing outlets

The target consumers of our Shihlin Outlets and Restaurants vary by location, depending on a number of factors such as population density, local retail and business attractions, area demographics and geography. As a result, the opening of new outlets in or near locations in which we already have existing outlets by our competitors could adversely impact our sales. Some of our customers may be diverted from our outlets to the new food and beverage outlets opened in or near the locations in which our existing outlets operate. In such circumstances, any reduction in customers to our outlets will have an adverse effect to our business and results of operations.

Manpower shortages and high staff turnover may adversely affect our business, results of operations, financial performance and expansion plans

According to the Frost & Sullivan Report, the fast food industry in Singapore and Malaysia have been influenced by manpower shortage and high staff turnover. Further, the shortage of high-quality consumer service staff presents a challenge for the fast food operators in Singapore and Malaysia. As such, our success is dependent upon our ability to motivate and retain sufficient number of qualified staff to carry out our daily operations and attract experienced staff to assist us in our expansion plans. There is no assurance that our Group will not experience difficulties in recruiting personnel in the future. Individuals with sufficient experience in the fast food industry are in short supply and competition for these individuals is intense. Any inability to recruit qualified individuals in the future may delay the planned opening of our new Self-operated Outlets and Restaurants, and any inability to retain qualified individuals may adversely affect our daily operations of our Self-operated Outlets and Restaurants. Further, any material increase in staff turnover rates in our Self-operated Outlets and Restaurants or any widespread of staff dissatisfaction could have a material adverse effect on our business and results of operations.

In addition, competition for qualified staff could also require us to pay higher wages which could result in higher labour costs. During the Track Record Period, we employed 59, 76 and 92, and five, 13 and nine outlet staff in Singapore and West Malaysia, respectively. Our employee benefit costs for Self-operated Outlets and Restaurants increased from approximately S\$1.5 million to S\$1.9 million and to S\$2.1 million for FY2017, FY2018 and FY2019, respectively, representing approximately 9.3%, 10.0% and 9.7% of our revenue, respectively. The average monthly salary of employees in the fast food industry in Singapore has risen from approximately US\$196.0 in 2014 to approximately US\$224.4 in 2018, representing a CAGR of approximately 3.4%. The labour cost took up a share of approximately 30.0% in the whole operating cost structure in the catering services industry in Singapore in 2018. Average monthly salary of employees in the fast food industry in Malaysia has been increasing from approximately US\$210.2 in 2014 to approximately US\$287.9 in 2018, representing a CAGR of approximately 8.2%. It is expected that our labour costs will increase as a result of the expected expansion of our business in Singapore and West Malaysia after the Listing. If we fail to attract experienced staff at a desirable level of labour costs, our business, results of operations, financial performance and expansion plans will be materially and adversely affected.

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Change in foreign workers policies may adversely affect our business, results of operations and financial condition

As at the Latest Practicable Date, approximately 24% of our labour force was full-time foreign workers. Any shortage in the supply of foreign workers, or restriction on the number of foreign workers that we can employ, will adversely affect our operations in Singapore and West Malaysia. The supply of foreign workers is subject to the policies of the government of Singapore and Malaysia. Any future changes to the foreign workers employment policies in Singapore and Malaysia may adversely affect our ability to employ foreign workers. Under such event, if we are unable to find suitable replacements, our operating activities and hence, our revenue and profits would be adversely affected.

Our Group may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our Group's employees, suppliers or other third parties

We handle a considerable amount of cash at our Self-operated Outlets and Restaurants on a daily basis. Our Group may be unable to prevent, detect or deter all instances of fraud, theft, dishonesty, or other misconduct committed by our employees, suppliers or other third parties. Any such fraud or other misconduct committed against our Group's interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our Group's business, results of operations and financial condition.

Our operation is susceptible to unexpected business disruptions and irregularities

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

In addition, we cannot guarantee that the precautionary measures implemented at our warehouse facilities, such as pest control to avoid harbourage and breeding of pests within our warehouse facilities, will be effective in minimising risks of business disruptions. There is no assurance that our Group will take adequate steps to mitigate the potential impact of such disruptions effectively. The occurrence of any such incidents in the future may cause partial or total loss of our stocks, and our operation may be severely impaired or even put to a halt. Any failure to take adequate steps to mitigate the potential impact of unforeseeable events, or to effectively respond to such events, could adversely affect our business, financial condition and results of operations.

RISK FACTORS

Our Group’s insurance coverage may be insufficient to protect our Group against potential liabilities arising during the course of operations

Our Group does not maintain insurance policies against all risks associated with the fast food industry, either because our Directors have deemed it commercially unfeasible to do so or because the insurers have carved certain risks out of their standard policies. These risks include events such as the loss of business arising from increased competition, the loss of any business resulting from negative effects on changes in customers’ tastes and preferences. If an incident occurs in relation to which our Group has inadequate insurance coverage, the business, financial position and operating results of our Group could be materially and adversely affected. Further, there is no assurance that our Group will be able to renew the existing insurance policies on commercially reasonable terms.

Our Group may be unable to adequately protect our intellectual property, which could harm the value of our *Shihlin Taiwan Street Snacks*[®] brand and adversely affect our business

Our Directors believe that our brand is essential to its success and its competitive position. Please refer to the section headed “Statutory and General Information — Further information about our Group — 8. Intellectual property rights of our Group” in Appendix V to this prospectus for further details of our Group’s registered trademarks. There is no assurance that our Group may be able to protect our intellectual property adequately. If we are held by any court or tribunal to have infringed on any trademark of others, our business may be adversely affected.

In addition, our Group’s efforts to maintain and protect our Group’s intellectual property may be inadequate, or third parties may infringe upon our Group’s intellectual property rights or misappropriate our proprietary knowledge, which could have a material adverse effect on our business, financial condition or operating results. Our Group may, from time to time, be required to initiate litigation to protect and enforce our trademarks and other intellectual property rights, and to protect our trade secrets. Such litigation could result in substantial costs and diversion of resources, which could negatively affect our sales, profitability and prospects.

Moreover, even if any such litigation is resolved in favour of our Group, we may be unable to successfully enforce the judgment and remedies awarded by the court and such remedies may not be adequate to compensate our Group for our actual or anticipated related losses, whether tangible or intangible. In such event, our Group’s financial performance and business reputation will be adversely affected.

We mainly rely on our Master Franchisees and Master Licensee to protect our intellectual property rights outside Singapore and Malaysia and there is no assurance that we are able to protect our intellectual property rights outside Singapore and Malaysia. Furthermore, as our Master Franchisees, Master Licensee, Franchisees, sub-franchisees and sub-licensees are granted certain rights to use our intellectual property rights, any improper use of our intellectual property rights may adversely affect our brand and reputation. If we fail to prevent the improper use of our intellectual property rights by our Master Franchisees, Master Licensee, Franchisees, sub-franchisees and sub-licensees, the value of our brand could suffer, which could have a material adverse effect on our business and our Non-self-operated business.

RISK FACTORS

Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our business

Our Group has installed a point of sale software system (“POS System”) at each of our Self-operated Outlets and Restaurants. We will rely on the POS System to monitor the daily operations of our Self-operated Outlets and Restaurants and types of Snacks and Beverages ordered and to collect accurate up-to-date financial and operating data for business analysis. Any damage or failure of our system including hardware and software failures, and computer viruses that causes an interruption to our operations could have a material adverse effect on our business and results of operations.

Any failure to maintain effective quality control systems could have a material adverse effect on our business and operations

The quality of the food we serve is critical to our success. Maintaining consistent food quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our Group’s quality control systems and our ability to ensure that our employees adhere to those quality control policies and guidelines. Our quality control systems consist of: (i) supply chain quality control; (ii) central kitchen and logistics centre quality control; (iii) logistics quality control; and (iv) outlets quality control. For more details on our quality control systems, please refer to the section headed “Business — Quality control and food safety” of this prospectus. However, there is no assurance that our quality control systems will prove to be effective or sufficient to prevent occurrence of deterioration of the quality of our products. Any significant failure or deterioration of our Group’s quality control systems could have a material adverse effect on our reputation, results of operations and financial condition.

We are subject to the risks of foreign currency fluctuations

We conduct all our operations in Singapore and Malaysia and our functional currency are S\$ and MYR. The sales to our Franchisees and Licensee abroad are mainly billed and settled in S\$ and MYR. We source our packaging and raw materials globally, and a majority of which are settle in S\$, MYR, US\$ and NTD. Foreign exchange rate fluctuations in the currencies mentioned above may result in foreign exchange losses and hence may have a material adverse effect on our business financial condition and results of operations. During the Track Record Period, we incurred other losses primarily consist of net foreign exchange losses, which amounted to approximately S\$0.2 million, S\$33,000 and S\$17,000 for FY2017, FY2018 and FY2019, respectively. For illustrative purpose, with all other variables being held constant, a 5% strengthening/weakening of US\$ against S\$ would have either increased or decreased our Group’s net profit after tax for FY2017, FY2018 and FY2019 and equity as at 31 March 2017, 2018 and 2019 by approximately S\$18,000, S\$1,000 and S\$5,000, respectively.

Risks associated with international sales and expanding the reach of our international network

We derive a portion of our revenue from international sales. For FY2017, FY2018 and FY2019, our revenue from our markets outside Singapore and Malaysia amounted to approximately S\$3.1 million, S\$3.5 million and S\$3.9 million, representing approximately 19.9%, 18.6% and 18.1% of our total revenue, respectively. For further details, please refer to the section headed “Financial Information — Principal components of combined statements of profit or loss and other comprehensive income —

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Revenue — Revenue by geographical locations” of this prospectus. We plan to expand our global market reach by increasing our marketing efforts and expanding our markets. As a result, we are subject to a variety of risks and uncertainties associated with such expansion, including:

- compliance with foreign laws, regulatory requirements and local industry standards, in particular, those related to food products;
- exposure to increased litigation risks in overseas markets;
- political and economic instabilities;
- foreign exchange rate exposure and the risk of foreign exchange control;
- unfamiliarity with local operating and market conditions;
- cultural and language difficulties;
- competition from local companies;
- lack of control or monitoring of foreign Franchisees and Licensee;
- foreign taxes; and
- potential disputes with foreign Franchisees and Licensee and difficulty in managing relationships with them.

Any of the foregoing and other risks and uncertainties could adversely affect our international sales, which in turn could adversely affect our financial condition and results of operations.

RISKS RELATING TO OUR INDUSTRY

Fast food industry is affected by fluctuations in the domestic and global economy and financial markets

Our business operations depend on the conditions and overall activity levels in the fast food industry, which may be adversely affected by changes in national or global economic conditions and local economic conditions in the markets in which we operate. These types of changes could include GDP growth, inflation, interest rates, availability of and access to capital markets, consumer spending rates and the effects of governmental initiatives to manage economic conditions. Weak economic conditions could harm our business by contributing to reductions in demand, insolvency of key suppliers, potential customer and counterparty insolvencies, and increased challenges in conducting our operations. Any slowdown in global, regional or national economy could cause a drop in consumer confidence and the level of disposable income, which result in lower demand for our products, affecting our business, results of operations and financial condition.

In addition, the general lack of available credit and confidence in the financial markets associated with any market volatility or downturn could adversely affect our access to capital as well as our suppliers’ and customers’ access to capital, which in turn could adversely affect our ability to fund our working capital requirements and capital expenditures.

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Our operations in Singapore and West Malaysia are subject to licensing requirements, environmental protection regulations and hygiene standards which can increase the operating costs of the business

Our operations in Singapore and West Malaysia is regulated under Singapore and Malaysia laws, respectively. We are required to comply with numerous legislations, including environmental protection regulations, hygiene standards and stringent licensing requirement. There is no assurance that we will be able to comply with all the relevant regulations in the future or renew our existing licences in a timely manner or at all. Any failure to comply with the existing regulations, or any future legislative changes, could result in our Group incurring significant compliance costs or expenses or result in the assessment of damages, imposition of fines against us or a suspension of any part of our business, which could materially and adversely affect our Group's financial position and results of operations. Our Group may have to incur more costs in complying with any changing laws and regulations in relation to the fast food industry on hygiene, fire and safety standards. In addition, should our Group fail to comply with these stringent requirements and are unable to timely renew our licences, our Self-operated Outlets or Restaurants may be required by relevant authority to temporarily or permanently cease operations and in such circumstances our profitability may be adversely affected.

We may be unable to obtain or renew the necessary licences and permits for our business or maintain our existing standard certifications

We are required to obtain and maintain various licences and permits in order to operate our business. We are also required to comply with applicable laws in relation to our production processes. Our Self-operated Outlets and Restaurants are subject to regular inspections by the regulatory authorities for compliance with the relevant laws and regulations in Singapore and West Malaysia. Failure to pass these inspections, or the loss of or failure to obtain or renew our licences and permits when they expire, could require us to temporarily or permanently suspend some activities at our Self-operated Outlets and/or Restaurants, which could adversely affect our business.

We face risks related to instances of unforeseeable food contamination, food-borne illnesses and health epidemics

Our business is susceptible to food contamination, food-borne illnesses, health epidemics and other outbreaks. We cannot guarantee that our internal controls and training will be fully effective in preventing all food-borne illnesses. Furthermore, our reliance on third-party food suppliers increases the risk that food contamination or food-borne illness incidents could be caused by third-party food suppliers outside of our control and the risk of multiple outlets instead of a single outlet being affected. New illnesses resistant to any precautions may develop in the future, or diseases with long incubation periods could arise, such as mad-cow disease, that could give rise to claims or allegations on a retroactive basis. Reports in the media of instances of food-borne illnesses could, if highly publicised, negatively affect our fast food industry overall and us in particular, impacting our Shihlin Outlets and Restaurants sales, forcing the closure of some of our Shihlin Outlets and Restaurants and conceivably having significant impact on our results of operations. This risk exists even if it was later determined that the illnesses in fact were not caused by our Shihlin Outlets and Restaurants.

Furthermore, other illnesses, such as hand, foot and mouth disease or avian influenza, could adversely affect the supply of some of our food products and significantly increase our costs. We also face risks related to health epidemics. Past occurrences of epidemics or pandemics, depending on their

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scale of occurrence, have caused different degrees of damage to the national and local economies in the countries where our Shihlin Outlets and Restaurants are situated. An outbreak of any epidemics or pandemics in the areas where we have outlets, may result in quarantines, temporary closures of our outlets, travel restrictions or the sickness or death of key personnel and our guests. Any of the above may cause material disruptions to our operations, which in turn may materially and adversely affect our business and results of operations.

RISKS RELATING TO CONDUCTING OUR BUSINESS IN SINGAPORE AND MALAYSIA

Any changes in the economic, political and social conditions, as well as any changes in government policies in Singapore and Malaysia, could materially and adversely affect our business, results of operations, financial condition and future prospects

Our major assets and business operations are located in Singapore and West Malaysia. Therefore, our business, results of operations, financial condition and future prospects are significantly exposed to the economic, political and legal developments in Singapore and Malaysia. We cannot assure you that the Singapore or Malaysia government will continue to maintain the current economic policies or pursue economic and political reforms. Specifically, our business and operating results can be materially and adversely affected by changes in the government's regulations concerning production restrictions, price controls (such as price fixing), export controls, taxation, ownership and expropriation of property, environmental or health and safety issues.

RISKS RELATING TO THE SHARE OFFER

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

Prior to the completion of the Share Offer, there has been no public market for our Shares. The Offer Price is the result of negotiations between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Share Offer. In addition, there can be no guarantee that an active trading market for our Shares will develop; or, if it does develop, that it will be sustained following completion of the Share Offer; or that the market price of our Shares will not decline below the Offer Price.

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

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in Singapore or Malaysia that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. Recently, a number of Singapore-based and Malaysia-based companies have listed their securities, or are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards Singapore-based and Malaysia-based

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companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

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

You will incur immediate and substantial dilution and may experience further dilution in the future

As the Offer Price of our Shares is higher than the net tangible asset value per Share of our Shares immediately prior to the Share Offer, purchasers of our Shares in the Share Offer will experience an immediate dilution in net tangible asset value per Share. Based on the Offer Price range of HK\$0.65 to HK\$0.75 per Offer Share and unaudited pro forma adjusted net tangible assets as at 31 March 2019 per Share of approximately HK\$0.156 per Share and HK\$0.179 per Share based on the respective low and high end of the Offer Price range, the immediate dilution to the net tangible asset value will be approximately HK\$0.494 and HK\$0.571 per Share. If we issue additional Shares in the future, purchasers of our Shares in the Share Offer may experience dilution in their shareholding percentage.

Future sales or major divestment of our Shares by any of our Controlling Shareholders could adversely affect the prevailing market price of our Shares

The market price of our Shares may be adversely affected by future sales of a significant number of our Shares in the public market after the Share Offer, or the possibility of such sales, by our Controlling Shareholders. The Shares held by our Controlling Shareholders are subject to certain lock-up arrangements; please refer to the sections headed “Underwriting — Undertakings pursuant to the Public Offer Underwriting Agreement” and “Underwriting — Undertakings pursuant to the Listing Rules” of this prospectus for a detailed description of the restrictions. After the restrictions of the lock-up arrangements expire, our Controlling Shareholders may dispose of our Shares. Sales of a substantial amount of our Shares could adversely affect the market price of our Shares, which could negatively affect our ability to raise equity capital.

Our future financing may cause dilution of your shareholding or place restrictions on our operations

In order to raise capital and expand our business, we may consider offering and issuing additional Shares or other securities convertible into or exchangeable for our Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the shareholdings of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our operations, which may:

- further limit our ability or discretion to pay dividends;
- increase our risks in adverse economic conditions;
- adversely affect our cash flows; or

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- limit our flexibility in business development and strategic plans.

Shareholders and investors could face difficulties in protecting their interests because our Company was incorporated under the laws of the Cayman Islands and these laws could provide different protections to minority Shareholders than the laws of Hong Kong

Our corporate affairs are governed by the Memorandum and the Articles and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders could differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences could mean that the minority Shareholders could have different protections than they would have under the laws of Hong Kong.

There is no assurance whether and when we will pay dividends. Dividends declared in the past may not be indicative of our dividend policy in the future

For FY2017, FY2018 and FY2019, our Group declared and paid dividends of approximately S\$4.1 million, S\$3.4 million and S\$1.1 million, respectively to our Controlling Shareholders. On 23 September 2019, our Group declared dividends of S\$1.0 million to our Controlling Shareholders, which is expected to be paid in October 2019. We cannot guarantee when, if or in what form and amount dividends will be paid on our Shares following the Share Offer. Distribution of dividends must be proposed by our Board and is subject to a number of factors, including the results of operations, cash flows, financial situation and capital expenditure requirements of our Group, distributable profits of our subsidiaries and dividends they pay to us, our future plans and business prospects, market conditions, our Articles of Association, regulatory restrictions and our contractual obligations. As a result, our historical dividend distributions are not indicative of dividends that we may pay in the future. For further details of our dividend policy, please refer to the section headed “Financial Information — Dividends” of this prospectus.

Certain facts, forecasts and other statistics contained in this prospectus are obtained from government sources and other third parties and may not be accurate or reliable, and statistics in the prospectus provided by Frost & Sullivan are subject to assumptions and methodologies set forth in the section headed “Industry Overview” of this prospectus

In this prospectus, certain facts, forecasts and other statistics concerning Singapore, Malaysia and Indonesia, the respective economic conditions and the industries are derived from publications of the Singapore, Malaysia or Indonesia government agencies or industry associations, or an industry report commissioned by us. Although we have taken reasonable care in extracting those facts, forecasts and statistics, they have not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person (except for Frost & Sullivan) involved in the Share Offer. We cannot assure you that those facts, forecasts and statistics are accurate and reliable. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy in other jurisdictions. You should consider carefully that how much weight you should place on those facts, forecasts and statistics.

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This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate

This prospectus contains certain future plans and forward-looking statements about us that are made based on the information currently available to our management. The forward-looking information contained in this prospectus is subject to certain risk and uncertainties. Whether we implement those plans, or whether we can achieve the objective described in this prospectus, will depend on various factors including the market conditions, our business prospects, actions by our competitors and the global financial situations.

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

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Share Offer. Prior to the Latest Practicable Date, there could have been press and media coverage regarding us or the Share Offer, which may include certain financial information, financial projections, valuations, and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Our core business operations are primarily managed and conducted in Singapore and West Malaysia, and the assets of our Group are primarily located in Singapore. All of our executive Directors are ordinarily based in Singapore and our Company does not and, in the foreseeable future, will not have any management presence in Hong Kong.

In view of the foregoing, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules on the basis that our Company will have proper arrangements to maintain regular communication with the Stock Exchange, which are in line with the conditions set out in Guidance Letter HKEx-GL9-09 (issued in July 2009).

In order to ensure that regular communication is effectively maintained between the Stock Exchange and our Company, we will put in place the following measures:

- (a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange and ensure that our Group will comply with the Listing Rules at all times. The two authorised representatives are Mr. Wong, executive Director, and Sir Kwok Siu Man KR, the company secretary of our Company. Sir Kwok Siu Man KR is ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email (if applicable). Each of the authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange. Sir Kwok Siu Man KR has also been authorised to accept service of process and notices in Hong Kong on behalf of our Company;
- (b) each of the authorised representatives has means to contact all members of the Board and the senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, we will implement a policy that (i) each Director will have to provide their respective office phone numbers, mobile phone numbers, residential phone numbers, fax numbers and email addresses (if applicable) to the authorised representatives and his/her respective alternates; and (ii) in the event that a Director expects to travel and be out of office, he/she will endeavour to provide the phone number of the place of his/her accommodation to the authorised representatives or maintain an open line of communication via his/her telephone;
- (c) all Directors will provide their mobile phone numbers, residential phone numbers, office phone numbers, fax numbers and email addresses (if applicable) to the Stock Exchange to ensure that they will be readily contactable when necessary to deal promptly with enquiries from the Stock Exchange;

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) all Directors have confirmed that they possess valid travel documents to visit Hong Kong and would be able to come to Hong Kong and meet the Stock Exchange within a reasonable period, when required; and
- (e) in compliance with Rule 3A.19 of the Listing Rules, we have appointed Lego Corporate Finance Limited as the compliance adviser to act as the additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The contact person of the compliance adviser will be fully available to answer enquiries from the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE SHARE OFFER AND THIS PROSPECTUS

This prospectus is published solely in connection with the Public Offer, which is part of the Share Offer. For applicants under the Public Offer, this prospectus and the related Application Forms contain the terms and conditions of the Public Offer. Details of the terms of the Share Offer are described in the section headed “Structure and Conditions of the Share Offer” of this prospectus.

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

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

UNDERWRITING

The Share Offer is an offer of 20,000,000 new Shares under the Public Offer (subject to reallocation) and 180,000,000 new Shares under the Placing (subject to reallocation) in each case at the Offer Price. 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” of this prospectus.

The Listing is sponsored by the Sole Sponsor and 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 other 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 — Underwriting arrangements and expenses” of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or about Friday, 11 October 2019, and in any event no later than Monday, 21 October 2019. The Offer Price is currently expected to be not more than HK\$0.75 per Offer Share and not less than HK\$0.65 per Offer Share.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of the Offer Shares being offered under the Share Offer and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of reduction of the number of the Offer Shares being offered under the Share Offer and/or the indicative Offer Price range will be published on our Company's website at www.snackemp.com and the website of the Stock Exchange at www.hkexnews.hk, not later than the morning of the last day for lodging applications under the Public Offer.

If the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and our Company are unable to reach an agreement on the Offer Price by Monday, 21 October 2019, the Share Offer will not proceed and will lapse immediately.

SELLING RESTRICTIONS OF OFFER SHARES

No action has been taken to permit any public 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, an offer or invitation nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an 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/her acquisition of the Offer Shares be deemed to confirm, that he/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/she is not acquiring, and has not been offered any such Offer 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 himself/herself/itself of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors for the Offer Shares should inform himself/herself/itself as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including Shares to be issued pursuant to the Capitalisation Issue and the Share Offer, and additional Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Over-allotment Option or the Share Option Scheme) on the Main Board.

Except that we have applied for the Listing to the Stock Exchange, 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.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

REGISTER OF MEMBERS AND STAMP DUTY

The principal register of members of our Company will be maintained by its principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and the branch register of members of our Company will be maintained by the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong. All Shares to be issued pursuant to the Share Offer, the Capitalisation Issue and any Shares to be issued upon exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme will be registered on the branch register of members of our Company in Hong Kong. Only Shares registered on the branch register of members of our Company in Hong Kong may be traded on the Stock Exchange.

No stamp duty is payable by applicants in the Share Offer.

Dealings in our Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong is 0.2% of the consideration or, if higher, the market value of our Shares being sold or transferred.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on the branch register of members of our Company 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.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange 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 date

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

of commencement of dealings in our Shares on the Stock Exchange or any other date as HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stock brokers or other professional advisers for details of the settlement arrangements that may affect their rights and interests. All necessary arrangements have been made for our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in our Shares. None of our Group, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Underwriters, any of their respective directors, supervisors, agents, employees or advisers or any other party involved in the Share Offer accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, dealing in, or exercising any rights in relation to, our Shares.

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 23 October 2019, it is expected dealings in our Shares on the Main Board of the Stock Exchange will commence at 9:00 a.m. on Wednesday, 23 October 2019. Shares will be traded in board lots of 4,000 Shares each.

The stock code for our Shares is 1843.

Our Company will not issue any temporary documents of title.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure of the Share Offer including conditions of the Share Offer and the arrangements relating to the Over-allotment Option and stabilisation are set out in the section headed “Structure and Conditions of the Share Offer” of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in US\$, S\$, MYR, IDR and HK\$. No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on such date or any other date. Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, Hong Kong dollar amounts have been translated using the following rate:

US\$1.00: HK\$7.80
S\$1.00: HK\$5.76
MYR1.00: HK\$2.00
IDR1.00: HK\$0.000546

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 individual items. When information is presented in thousands or millions of units, amounts may have been rounded up or down.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese version of this prospectus, the English version of this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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DIRECTORS

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Daniel Tay Kok Siong	91 Jalan Mas Puteh Singapore 128663	Singaporean
Mr. Wong Chee Tat (黃志達)	194 Depot Road #06-27 Singapore 109691	Singaporean
<i>Independent non-executive Directors</i>		
Mr. Jong Voon Hoo (楊文豪)	31 Bishan Street 21 #04-06 Rafflesia Condominium Singapore 579800	Singaporean
Mr. Koh Boon Chiao (許聞釗)	45 Jalan Tiga #03-34 Singapore 390045	Singaporean
Mr. Lim Wee Pin (林偉彬)	Block 203C Compassvale Road #04-31 Singapore 543203	Singaporean

For details, please refer to the section headed “Directors and Senior Management” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Lego Corporate Finance Limited

A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Room 1601, 16/F
China Building
29 Queen's Road Central, Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

ChaoShang Securities Limited

(A licensed corporation engaged in type 1 (dealing in securities) and type 2 (dealing in future contracts) regulated activities under the SFO)
Rooms 2206–2210, 22nd Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Lego Securities Limited

(A licensed corporation engaged in type 1 (dealing in securities) regulated activity under the SFO)
Room 301, 3/F
China Building
29 Queen's Road Central, Central
Hong Kong

Co-lead Managers

Alpha Financial Group Limited

(A licensed corporation engaged in type 1 (dealing in securities) regulated activity under the SFO)
Room A, 17th Floor
Fortune House
61 Connaught Road Central
Central,
Hong Kong

Excellent Success Investments Limited

(A licensed corporation engaged in type 1 (dealing in securities) regulated activity under the SFO)
22nd Floor, China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Head & Shoulders Securities Limited

(A licensed corporation engaged in type 1 (dealing in securities), type 2 (dealing in future contracts) and type 4 (advising on securities) regulated activities under the SFO)

Room 2511, 25th Floor
Cosco Tower
183 Queen's Road Central
Hong Kong

Paragon Securities Limited

(A licensed corporation engaged in type 1 (dealing in securities) regulated activity under the SFO)

Unit 7, 11th Floor
Emperor Group Centre
288 Hennessy Road
Wan Chai, Hong Kong

Solomon JFZ (Asia) Holdings Limited

(A licensed corporation engaged in type 1 (dealing in securities) regulated activity under the SFO)

19A, 19th Floor
Eton Building
288 Des Voeux Road Central
Central, Hong Kong

ZACD Financial Group Limited

(A licensed corporation engaged in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

Unit 2029, Level 20
Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan, Hong Kong
(new address at Unit 1610, Level 16
Man Yee Building
60–68 Des Voeux Road Central
Central, Hong Kong, with effect from 1 October 2019)

Legal advisers to our Company

As to Hong Kong law

Robertsons

57th Floor
The Center
99 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

As to Singapore law

Bird & Bird ATMD LLP

2 Shenton Way #18-01

SGX Centre 1

Singapore 068804

Republic of Singapore

As to Malaysia law

David Lai & Tan

Level 8-3 & 8-4

Wisma Miramas

No. 1, Jalan 2/109E

Taman Desa

Jalan Klang Lama

58100 Kuala Lumpur

Malaysia

As to Indonesia law

Tuah & Suparto

L'Avenue Office Tower Lantai 12

Jalan Raya Pasar Minggu No. Kav 16

Pancoran, Jakarta Selatan, DKI Jakarta

Indonesia

As to U.S. law

Nixon Peabody LLP

One Embarcadero Center, 32nd Floor

San Francisco

CA 94111

United States

As to Cayman Islands law

Conyers Dill & Pearman

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

**Legal advisers to the Sole Sponsor and
the Underwriter(s)**

As to Hong Kong law

Pinsent Masons

50th Floor, Central Plaza

18 Harbour Road

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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Auditor and reporting accountant	PricewaterhouseCoopers <i>Certified Public Accountants</i> 22/F, Prince's Building Central Hong Kong
Industry consultant	Frost & Sullivan Limited 1706, One Exchange Square 8 Connaught Place Central Hong Kong
Property valuer	Jones Lang LaSalle Property Consultants Pte Ltd 1 Paya Lebar Link #10-08 Paya Lebar Quarter Tower 2 Singapore 408533
Receiving bank	DBS Bank (Hong Kong) Limited 16th Floor, The Center 99 Queen's Road Central Hong Kong
Compliance adviser	Lego Corporate Finance Limited <i>A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO</i> Room 1601, 16/F, China Building 29 Queen's Road Central, Central Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Singapore	10 Anson Road #21-02 International Plaza Singapore 079903
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	57th Floor, The Center 99 Queen's Road Central Hong Kong
Company's website	http://www.snackemp.com <i>(Note: The contents of this website do not form part of this prospectus)</i>
Company secretary	Sir Kwok Siu Man (郭兆文) KR 31/F, 148 Electric Road North Point, Hong Kong <i>(a fellow member of The Hong Kong Institute of Company Secretaries)</i>
Authorised representatives (for the purpose of the Listing Rules)	Mr. Wong Chee Tat 194 Depot Road #06-27 Singapore 109691 Sir Kwok Siu Man (郭兆文) KR 31/F, 148 Electric Road North Point, Hong Kong
Audit committee	Mr. Lim Wee Pin (<i>Chairman</i>) Mr. Jong Voon Hoo Mr. Koh Boon Chiao
Remuneration committee	Mr. Koh Boon Chiao (<i>Chairman</i>) Mr. Jong Voon Hoo Mr. Lim Wee Pin Mr. Daniel Tay Kok Siong Mr. Wong Chee Tat
Nomination committee	Mr. Jong Voon Hoo (<i>Chairman</i>) Mr. Koh Boon Chiao Mr. Lim Wee Pin

CORPORATE INFORMATION

**Cayman Islands principal share registrar
and transfer office**

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

Boardroom Share Registrars (HK) Limited
2103B, 21st Floor
148 Electric Road
North Point
Hong Kong

Principal banker

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

INDUSTRY OVERVIEW

This section contains information which is derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading. The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Underwriters, or any of their affiliates or advisers, nor any other party involved in the Share Offer (except for Frost & Sullivan) and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting company and an Independent Third Party, to conduct an analysis of, and to prepare a report on, the fast food industry in Singapore, Malaysia, Indonesia, Brunei and Egypt for the period from 2014 to 2024. The agreed fee for the preparation of the Frost & Sullivan Report is HK\$770,000, which our Directors believe that such fee reflects market rates for reports of this type.

The information and statistics on the fast food industry in Singapore, Malaysia, Indonesia, Brunei and Egypt in this section are extracted from the Frost & Sullivan Report. The methodology used by Frost & Sullivan in gathering the relevant market data in compiling the Frost & Sullivan Report consists of both primary and secondary research obtained from various sources in respect of the fast food industry in Singapore, Malaysia, Indonesia, Brunei and Egypt. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, announcements from the relevant government departments, independent research reports and data based on official data and Frost & Sullivan's own research database.

Frost & Sullivan is a global consulting company founded in 1961 and has over 49 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering the Chinese market since the 1990s. Frost & Sullivan has four offices in the PRC and direct access to the knowledgeable experts and market participants in the fast food market and its industry consultants, on average, have more than three years of experience.

ASSUMPTIONS

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period from 2014 to 2024. In addition, Frost & Sullivan has developed its forecast on the bases and assumptions that (i) the economy in Singapore, Malaysia, Indonesia, Brunei and Egypt is likely to maintain stable growth in the next decade; (ii) the countries' social, economic and political environment are likely to remain stable in the forecast period; (iii) the fast food industry in Singapore, Malaysia, Indonesia, Brunei and Egypt is expected to grow based on the key industry drivers including positive business environment,

INDUSTRY OVERVIEW

increasing income level and booming tourism. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications. Some of the information extracted from the Frost & Sullivan Report are also referred to in the sections headed “Summary”, “Risk Factors” and “Business” of this prospectus.

Our Directors have confirmed that after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

BRIEF INTRODUCTION OF FAST FOOD INDUSTRY

Fast food is a significant segment of the catering services industry. Fast food outlets and restaurants are also called quick service restaurants, referring to restaurants providing fast and consistent food and beverage services, with no or little table services and simple dining ambience. Fast food outlets typically have order taking and cooking platforms designed specifically for ordering, preparing and serving menu items with quick speed or high efficiency. Consumers usually order the food, settle the bills and take their meals at the service counters.

Industrial value chain analysis of fast food industry

The value chain of fast food industry mainly involves raw material suppliers and distributors, food processing services providers, restaurants and consumers. Raw material suppliers offer food ingredients, such as meat, vegetable, seafood, etc., to restaurants where chefs prepare the dishes. Some chained restaurants may set up their food processing factories or central kitchens which supply processed and pre-packed food to their restaurants. In restaurants, prepared food will be served to or taken away by consumers.

Business model analysis

The fast food industry usually has two basic business models: (i) self-operated chain; and (ii) franchise chain. Self-operated fast food chains are directly operated by the chain owner. Self-operated fast food chain owners expand their network relying on their own capital and resources and have the highest level of operational control over the fast food chain. The franchise operation could be divided into two ways of franchising, namely: (i) single unit franchise; and (ii) multi-unit franchise, with provision of standardised ingredients and partially prepared foods and supplies to each participating restaurant within standardised packages through controlled supply channels.

Compared to franchising, the brand owners can exert better control over self-operated business model through managing in operation such as raw material sourcing and marketing directly, which ensures better communications within the chain network with higher efficiency. However, to build up an extensive network of branches takes years of operations with limited benefits of economies of scale enjoyed during the expansion period.

INDUSTRY OVERVIEW

Franchising makes it possible for brand owners to expand the branches rapidly in a short period of time. This approach is suitable for the new entrant who is looking to build up its brand awareness. However, given the circumstances with different franchising agreements, the brand owners may find it difficult to exert controls over quality, and once franchisees fail to live up to the quality standards set by the franchisors, the brand image might be damaged.

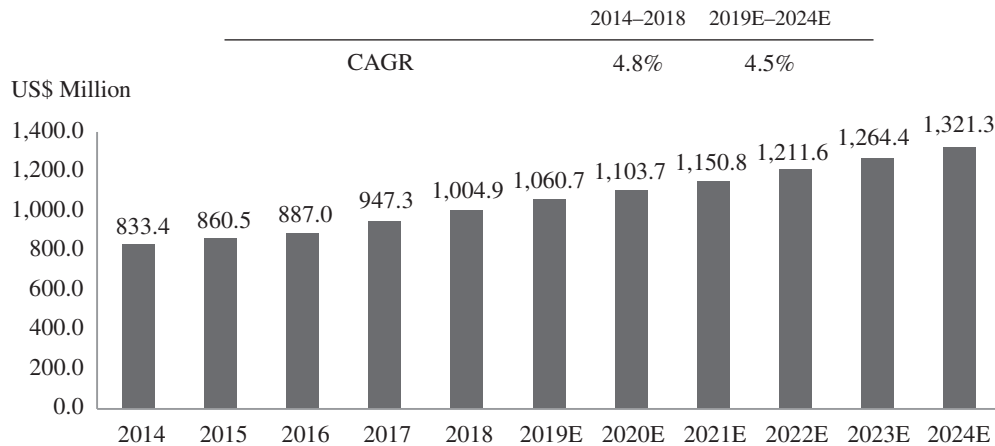
OVERVIEW OF FAST FOOD INDUSTRY IN SINGAPORE

Market size

From 2014 to 2018, the transaction amount generated from fast food industry increased at a faster pace than the whole catering industry, increasing from approximately US\$833.4 million in 2014 to approximately US\$1,004.9 million in 2018, representing a CAGR around 4.8% influenced by various factors including but not limited to the busy life style, growing popularity of fast food including fried chicken in Singapore and effective promotion such as vouchers and coupons conducted by fast food players.

It is estimated that the transaction amount from the fast food industry in Singapore would reach approximately US\$1,321.3 million in 2024, at a CAGR of approximately 4.5% from 2019, which is mainly due to increasing youth population aged between 20 and 34.

Market Sizes of Fast Food Industry (Singapore), by Transaction Amount, 2014–2024E



Note: Exchange rate between S\$ and US\$ used is average annual rate of 0.74 as in 2018 that retrieved from OANDA.
Source: Department of Statistics, Singapore, Frost & Sullivan

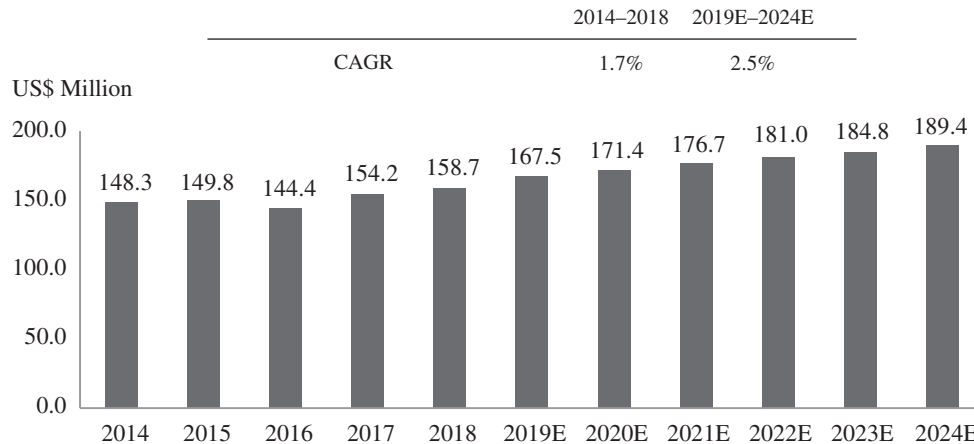
Market size of Asian fast food

The market size of Asian fast food sector in Singapore experienced a fluctuation and grew from approximately US\$148.3 million in 2014 to approximately US\$158.7 million in 2018, representing a CAGR of approximately 1.7%.

INDUSTRY OVERVIEW

In 2018, the Asian fast food sector took up a share of approximately 15.8% of total fast food market in terms of transaction amount in Singapore. It is expected that the Asian fast food sector would register a higher growth rate than total catering industry in Singapore in the future, reaching approximately US\$189.4 million in 2024, representing a CAGR of approximately 2.5% from 2019 to 2024, which is driven by people's diverse demands for Asian fast food.

Market Sizes of Asian Fast Food Industry (Singapore), by Transaction Amount, 2014–2024E



Note: Exchange rate between S\$ and US\$ used is average annual rate of 0.74 as in 2018 that retrieved from OANDA.

Source: Frost & Sullivan

The number of catering services establishments in Singapore has increased from 6,871 establishments in 2014 to 8,547 in 2018, representing a CAGR of 5.6%. In line with the overall growth in the number of establishment of catering services industry, the number of establishments in the fast food industry in Singapore increased from 1,147 in 2014 to 1,271 in 2018, representing a CAGR of approximately 2.6%. Driven by the initiation called Food Manufacturing Industry Transformation Map launched by the Singapore government in 2016, aiming at developing Singapore into Asia's leading food hub, it is estimated that the number of fast food establishments in Singapore would increase to 1,425 in 2024, representing a CAGR of approximately 1.8% from 2019 to 2024.

Market drivers

Lower prices and convenience: Consumers are mostly attracted by the lower prices comparing with full-services restaurants and the convenience enjoyed in fast food outlets. Given the background that the four year CAGR of nominal GDP in Singapore per capita was 2.8% from 2014 to 2018, showing signs of stagnancy, consumers in Singapore have become increasingly price sensitive, which offers great opportunity for the fast food industry in Singapore. The affordable prices, fast services and a great variety of choices have inspired consumers to visit fast food outlets more frequently. Moreover, the fast food outlet operators are upgrading their shops for better dining ambience and will continue to innovate their cuisines/products to attract more consumers.

Development of more advanced catering services technology and digital payments: With the development of technology and increasing labour cost in Singapore, the fast food outlets operators are investing in systems like self-ordering and digital payments to make the process including ordering and payment more seamless while reducing the number of staff needed. Meanwhile, third-party delivery

INDUSTRY OVERVIEW

applications, such as Foodpanda and Deliveroo, have gained popularity among Singapore consumers owing to their quick delivering services which further drive the growth of the whole catering services industry including fast food industry in Singapore.

Opportunities

Increasing frequency of dining out: Nowadays, people in Singapore are becoming busier and less willingly to cook by themselves. According to a Singapore Statistics Household Expenditure Survey conducted by the Department of Statistics of Singapore, the average monthly expenditure per capita on cooked food has exceeded the expenditure on non-cooked food since 2013. Moreover, increasing social need drives people to dine out more frequently, especially the youngsters, thus creating a great opportunity for the catering industry, including fast food industry.

Higher demand for convenience from consumers: There has been an increase in the demand for food delivery services due to changing lifestyles and the increasing number of busy consumers who are willing to pay for convenience. Food and beverage businesses are taking this opportunity to boost their revenue. For instance, many businesses are testing mobile applications that allow consumers to place food orders via a mobile application. At the same time, food delivery to consumers can also reduce overheads and rental costs for physical dining spaces.

Threats

Manpower shortages: Fast food industry in Singapore has been influenced by manpower shortage and high staff turnover for a long time. Many fast food operators would hire part-time employees like students who usually stay with the company for 8 to 15 months. The shortage of high-quality consumer service staff presents a challenge for the fast food operators in Singapore, especially since it is often perceived as a less desirable full-time occupation.

High rent: The limited available area in Singapore causes the rental to be high. Depending on the location of the fast food outlets, the rental varies drastically. The rental at residential neighbourhoods is a major burden for fast food outlets. Moreover, the terms of leases in Singapore are usually not very long and the landlord usually will increase the rental after the expiry of a lease.

Reliance on import for raw materials: With limited agricultural resources, local food manufacturers cannot meet demands for domestic markets including fast food industry, so raw materials for the food industry in Singapore are largely imported. Thus fast food players in Singapore generally have great reliance on import for raw materials such as eggs, chicken and fruit from Malaysia, Brazil, and Australia, exposing them to instability of raw material cost.

Future trends

Increasing level of digitalisation: Technology has widely changed the world. For example, there are mobile applications and online platforms for food ordering and self-payment kiosks. Consumers could use tablet menus instead of paper menus, which saves the manpower of restaurants. Moreover, a wide range of digital marketing tools are becoming available for fast food operators in Singapore to design, deploy and monitor their marketing campaigns. Driven by the technology advancement, it is likely that the increasing number of fast food operators would leverage new technologies. For instance,

INDUSTRY OVERVIEW

search engine optimisation can help drive traffic to the website or application while consumer relationship management analytics can track consumer data and allow the fast food operators to customise promotions for their consumers.

Rising of new cuisines: At present, the fast food industry in Singapore is dominated by international fast food chains that typically offer more Western-style fast food. Singapore has a vibrant food culture as a multiculturalism nation. Many Singaporeans are of Chinese descent, and this influence has embedded itself deep within the local fast food culture and they are easy to accept other Asian cuisines. It is likely that Asian-style fast food including Taiwanese fast food or Korean fried chicken would emerge and grab more consumers in the future.

Cost structure analysis

Labour cost

The average monthly salary of employees in the fast food industry in Singapore has risen from approximately US\$196.0 in 2014 to approximately US\$224.4 in 2018, representing a CAGR of approximately 3.4%. The labour cost took up a share of approximately 30.0% in the whole operating cost structure in the catering services industry in Singapore in 2018.

Due to the tightening government's limits on foreign workers and increasing taxes on each foreign worker hired, it is anticipated the manpower shortage in the fast food industry will continue in the future and drive the average monthly salary of employees in the fast food industry up to approximately US\$268.6 in 2024, with a five year CAGR of approximately 3.0% from 2019 to 2024.

Rents for retail premises

The commercial property rental of both central and fringe area in Singapore experienced a downward trend in the past five years from 2014 to 2018, decreasing from approximately US\$8.6 and US\$5.9 per sq.ft. per month in 2014 to approximately US\$8.0 and US\$5.7 per sq.ft. per month in 2018, representing a CAGR of approximately -1.8% and approximately -0.9% respectively, which was mainly caused by the structural changes in consumer purchasing behaviour and habits, i.e. shifting from offline shopping in traditional physical stores to online shopping.

It is estimated that the commercial property rental of central and fringe region in Singapore would increase in the future, reaching approximately US\$8.4 and US\$5.9 per sq.ft. per month in 2024, representing a five year CAGR of approximately 0.7% and 0.7%, respectively from 2019 to 2024, due to the "retail experience" trend of omni-channel that online shops taking up physical space, which improves the demand for the commercial property.

Average price index of key raw materials

Meat, seafood, cereals, vegetables and fruits are the most commonly-used raw materials in the catering services industry. Based on the price of 2012 (2012 = 100), from 2014 to 2018, the price index of cereals stayed relatively stable. The price indices of vegetables and fruits in Singapore experienced a fluctuation and slightly increased from 108.6 in 2014 to 109.0 in 2018, respectively. Meanwhile, the price index of seafood increased steadily from 100.6 in 2014 to 114.8 in 2018.

INDUSTRY OVERVIEW

Competitive landscape

According to the Frost & Sullivan Report, there were over 1,270 establishments in the fast food industry in Singapore in 2018. The competition in the fast food industry was fierce where fast food operators were competing to provide better quality of food to attract more consumers. The competitors could be locally-owned, regionally-owned or international chains offering dine-in, take-away and delivery services for a variety of cuisines including burger fast food, bakery products and other fast foods.

Singapore fast food industry is dominated by international chained operators. The domestic presence in fast food is not very strong as local players are typically small businesses that own independent outlets. In comparison with multinationals, they have fewer resources to scale up. International players leverage on their brand equity and are able to expand quickly through franchising.

Meanwhile, due to trendy flavours that cater for the local palate, chicken fast food products, which is offered by our Company, is popular in Singapore. New chicken fast food products launched fast food players have been well accepted by consumers in Singapore across different cultures and religions, so chicken are more acceptable than other types of meat such as beef or pork. In 2018, the brand *Shihlin Taiwan Street Snacks*[®] took approximately 0.6% of total fast food market in terms of transaction amount in Singapore. The table below sets forth the top five fast food brands in Singapore in terms of number of outlets:

Ranking	Restaurant brands	Principal place of operation	Types of cuisines/products	Number of outlets ⁽¹⁾
1	Brand A	Global	Hamburgers, chicken, french fries, soft drinks	135
2	Brand B	Global	Sandwiches, salads	131
3	Brand D	Singapore	Rice, Dim Sum, porridge	115
4	Brand C	Global	Fried chicken, sandwiches, wraps, French fries, soft drinks	84
5	Brand E	Asian	Curry, chicken, coffee	78
Top five sub-total				543
	<i>Shihlin Brand</i>	Global	Chicken, floss egg crepe, handmade oyster mee sua and seafood tempura	20 ⁽²⁾

Notes:

- (1) The outlets above refer to total outlets of each brand in Singapore as at the Latest Practicable Date.
- (2) The number of outlets refers to the number of all Shihlin Outlets and Restaurants (including Self-operated and Non-self-operated Outlets and Restaurants) as at the Latest Practicable Date.

INDUSTRY OVERVIEW

The table below sets forth the top five fast food brands in Singapore in FY2019 in terms of estimated revenue and market share:

<u>Ranking</u>	<u>Restaurant Operators</u>	<u>Stock Exchange</u>	<u>Principal place of operation</u>	<u>Business model</u>	<u>Types of cuisines/ Products</u>	Estimated fast food segment revenue in Singapore FY2019 <i>(US\$ million)</i>	Estimated market share in FY2019 <i>(%)</i>
1	Brand A	NYSE	Global	Franchised	Hamburgers, chicken, French fries, soft drinks	345.8	29.3
2	Brand C	NYSE	Global	Franchised	Fried chicken, sandwiches, wraps, French fries, soft drinks	153.4	13.0
3	Brand D	SGX	Singapore	Self-operated	Rice, Dim Sum, porridge	83.6	7.1
4	Brand B	Private	Global	Franchised	Sandwiches, salads	79.1	6.7
5	Brand E	SGX	Asia	Franchised	Curry, chicken, coffee	<u>63.2</u>	<u>5.4</u>
Top five total						<u>725.1</u>	<u>61.4</u>
	Our Group	Private	Global	Self-operated and franchised	Chicken, floss egg crepe, handmade oyster mee sua and seafood tempura	5.5	0.5
Total revenue						<u>1,180.1</u>	<u>100.0</u>

Note: According to Frost & Sullivan, based on information available, the revenue mix of the major fast food brands set out in the above table vary, which may or may not include franchise fee income, royalties, sales of products to franchisees and/or sub-franchisees and/or retail operations generated from the market. Therefore, the revenue amounts do not represent the retail sales value of such fast food brands in Singapore and hence may not objectively illustrates the market share and scale of business of each brand in the fast food industry. Therefore, the above table is for illustrative purpose only.

Source: Frost & Sullivan

Entry barriers

Brand reputation: The fast food industry in Singapore is highly competitive with the existing fast food brands which might already have loyal consumer bases. Winning these consumers over might be difficult for the new entrants, especially if the new entrants offer similar cuisines with those famous fast food brands.

Economic scales: Economies of scale mean average costs can decrease as a fast food operator expands its business. For example, a large fast food operator has greater negotiating power with suppliers and so may have a lower wholesale pricing. New entrants cannot demand such pricing, indicating higher average costs for them, which further indicates that the new entrants need charge more per diner than larger operators in order to achieve similar profit margins, which is not good to retain consumers.

INDUSTRY OVERVIEW

Suitable location and stable visitors flow: Location is crucial to the fast food industry in Singapore. Excellent locations are visible, easily accessible to pedestrian traffic, and surrounded by businesses including entertainment and parking services that complement the fast food outlets well. New entrants might find it difficult to snag such locations. Even if they manage to find a good location, they would possibly face sizable rent or mortgage costs, which can be difficult to cover during the initial months of business.

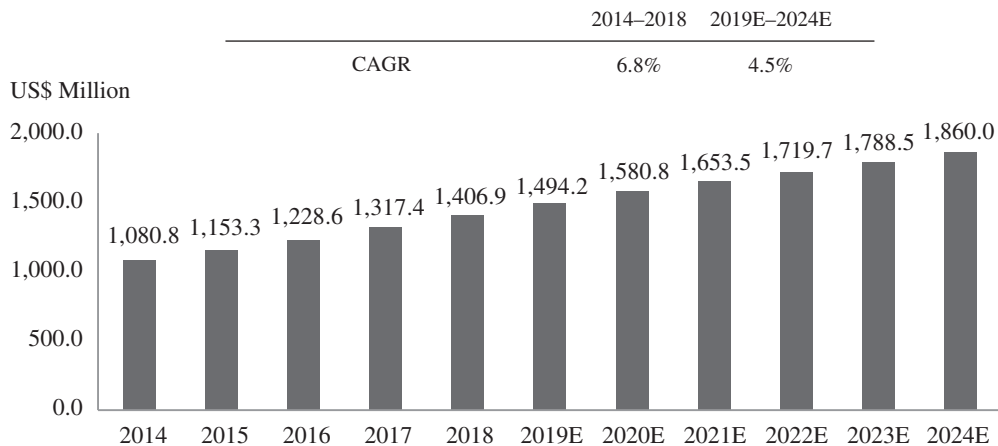
OVERVIEW OF FAST FOOD INDUSTRY IN MALAYSIA

Market size

Underpinned by the increasing household disposable income, overall catering services industry in Malaysia experienced consistent growth in terms of transaction amount. The transaction amount of fast food industry in Malaysia grew from approximately US\$1,080.8 million in 2014 to approximately US\$1,406.9 million in 2018, representing a CAGR of approximately 6.8%.

As the government is working on the promotion of industrial upgrading, such as the launch of the fourth industrial revolution in May of 2017 where industrial transformation that covers every aspect of industries and economic activities is encouraged, the macroeconomic condition is expected to show an uptrend from 2019 to 2024, which tends to support the sustainable development of the overall catering services industry including the fast food industry in Malaysia.

Market Sizes of Fast Food Industry (Malaysia), by Transaction Amount, 2014–2024E



Note: Exchange rate between MYR and US\$ used is average annual rate of 0.2 as in 2018 that retrieved from OANDA.
Source: Department of Statistics, Malaysia, Frost & Sullivan

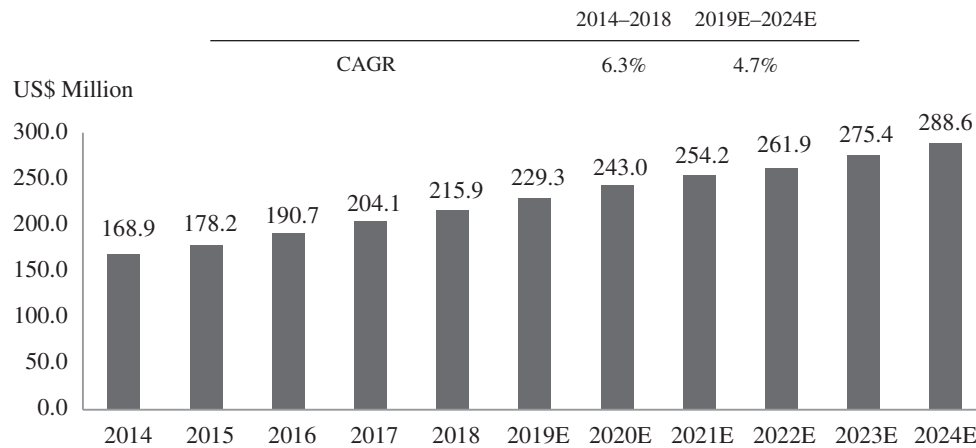
Market size of Asian fast food

The Asian fast food industry in Malaysia is enriched with abundant exotic delicacies. Its market size as measured by transaction amount grew from US\$168.9 million in 2014 to US\$215.9 million in 2018, representing a CAGR of approximately 6.3% as a variety of Asian flavours such as Sushi, Korean bibimbap and so forth have been gradually welcomed by Malaysian people.

INDUSTRY OVERVIEW

It is expected that the market size of Asian fast food sector in Malaysia will maintain such stable development trend in the future, reaching approximately US\$288.6 million in terms of transaction amount in 2024.

Market Sizes of Asian Fast Food Industry (Malaysia), by Transaction Amount, 2014–2024E



Note: Exchange rate between MYR and US\$ used is average annual rate of 0.25 as in 2018 that retrieved from OANDA.
Source: Frost & Sullivan

The number of catering establishments in Malaysia increased from 158,397 in 2014 to 202,680 in 2018, representing a four year CAGR of approximately 6.4%, while at the same time, the number of establishments in the fast food industry in Malaysia showed an uptrend from 2014 to 2018 with the number increasing from 4,811 in 2014 to 6,005 in 2018. It is estimated that the number of fast food establishments would keep growing from 6,366 in 2019 to 7,888 in 2024, representing a CAGR of approximately 4.4% sustained by the domestic demand as well as the booming tourism market.

Market drivers

Boom of tourism market: According to the statistics published by the Department of Statistics, Malaysia, revenue generated from the tourism industry increased from approximately US\$18.0 billion in 2014 to approximately US\$21.0 billion in 2018, representing a four year CAGR of 3.9%. Due to the advantages that fast food has, such as being convenient to take away, less preparation time, delicious taste and so forth, fast food is becoming the preferred option for tourists. In order to exploit such business opportunity, many fast food operators start to open new outlets near scenic spots to cater for tourists' needs, fuelling the expansion of fast food industry in Malaysia. Especially, based on data from Malaysia Tourism Promotion Board, number of tourists arrivals from the PRC and Taiwan experienced notable growth from 2014 to 2018, increasing at a CAGR of 16.2% and 8.7%, respectively with the year-over-year growth rate between 2017 and 2018 being 29.0% and 15.3%, respectively, while the total number of tourists arrivals in Malaysia witnessed a slight downtrend during the same period. The growth of tourists from the PRC and Taiwan indicates that there is an increasing demand for Asian snacks and beverage including Taiwanese snacks and beverage.

Growing demands from teenagers and young adults: Due to comparatively lower prices of fast food, fast food has gained popularity among teenagers and young adults who do not have stable income source and thus demonstrate low affordability. According to the Frost & Sullivan Report, number of

INDUSTRY OVERVIEW

young generation aged below 25 years old took up approximately 44.2% of total population in 2018, indicating large potential consumers for fast food. Moreover, with a busier lifestyle of young adults, fast food has undoubtedly become a quick meal solution for them. Meanwhile, influenced by the multi culture or market trends from social media and western TV series, teenagers and young adults in Malaysia would thus follow such trend, showing increasing interest in fast food, thus driving the fast food market of Malaysia.

Opportunities

Adoption of technology to lower cost: Demands from consumers for higher services efficiency and greater food variety have placed pressure on fast food operators. With the introduction of increasingly advanced technical and digital systems and equipment, such as self-ordering kiosks, material management system, etc. it would serve to improve the store operation efficiency while at the same time lowering the operation costs.

Diversification in halal food categories: With the Muslims taking up over approximately 60.0% of overall population, Malaysia is obviously a voracious consumption country for halal food. Moreover, the Malaysian government is making efforts to establish halal eco-system with the target to promote the development of Malaysia as a global halal hub. In order to capture such opportunity, fast food operators would devote themselves in developing more variety of halal food to further improve profitability via the expansion of Muslim consumer base.

Threats

Reliance on import of food raw materials: Malaysia is a great importer of food raw materials. For example, Malaysia imported frozen cuts of fowls with value totalling approximately US\$152,403 million in 2018. Social and economic environment of the exporting regions of food raw materials would influence the importing prices of related food raw materials as for Malaysia. Thus, fast food operators in Malaysia may face instability in the purchasing cost of raw materials for food.

Insufficient labour supply: In order to ensure the stability of domestic employment rate, the Malaysian government is launching policies with regards to the limitation on recruiting foreign workers in various industries including the fast food industry. Under such circumstances, the fast food market may be confronted with issue of labour force insufficiency, which would further lead to the rising labour cost as the fast food operators have to raise wages to attract and retain employees. Thus, the rising labour cost as a result of labour force shortage may be another constraint for the fast food market of Malaysia.

Future trends

Stringent requirement with the focus on halal food: Muslims have taken up more than 60.0% of overall population in Malaysia in 2018. In order to capture the demand from Muslims, the fast food restaurants are required to get halal certification from the government. As the Malaysian government is now working on forging Malaysia into a globalised halal centre, fast food operators would find more opportunities in exploring the market of halal food via various marketing channels. Thus, improved and more specific regulations or licences with regard to the promotion or advertising for the content of halal fast food, the preparation and storage of halal fast food would be issued to help regulating the marketing campaign by fast food operators.

INDUSTRY OVERVIEW

More cooperation with online third-party platforms: Mobile network has greatly changed people's life during the recent years. Speaking of catering services industry, a number of third-party online platforms with corresponding mobile applications are thus developed to cater for different demands. It is a trend that more fast food operators would expand their business by cooperating with third-party online aggregators such as Foodpanda to further get access to extend their reach to a larger consumer base.

Cost structure analysis

Labour cost

Average monthly salary of employees in the fast food industry in Malaysia has been increasing from approximately US\$210.2 in 2014 to approximately US\$287.9 in 2018, representing a CAGR of approximately 8.2%.

In 2016, the Malaysian government issued a policy to levy extra taxes on companies who employ foreign labour in order to protect domestic labour. This would translate into labour cost of the fast food industry, further leading to increasing labour cost. It is anticipated that average monthly salary of employees of fast food industry in Malaysia would keep rising from 2019 to 2024 at a CAGR of approximately 7.9%.

Price index for commercial property rental

Price index for commercial property rental of fast food industry in Malaysia rose from approximately 106.1 in 2014 to approximately 122.5 in 2018, demonstrating a four years CAGR of approximately 3.7%.

It is anticipated that as the land area, especially land area in urban regions is shrinking, price index for commercial property rental in Malaysia is likely to increase from 122.5 in 2018 to 154.1 in 2024.

Price index for key raw materials

Price index of fish and seafood increased from 110.4 in 2014 to 141.0 in 2018, representing a CAGR of 6.3% when price index of bread and cereals and vegetables grew at a CAGR of 2.0% and 5.1%, respectively from 2014 to 2018 based on the price of 2012 (2012 = 100). The stable growth of these three types of raw materials over the past five years was mainly attributed to the sustained market demand.

It is anticipated that the price index for fish and seafood, bread and cereals and vegetables would maintain the continuous increase in the near future, representing a CAGR of 5.1%, 1.3% and 2.4%, respectively from 2019 to 2024.

Competitive landscape

Fast food industry in Malaysia is mainly comprised of chain stores with chicken as the predominant style due to the lifestyle and habits of Muslim who take up over 60% of the population of Malaysian in 2018.

INDUSTRY OVERVIEW

Shihlin Taiwan Street Snacks[®] brand took up an estimated market share of 0.9% in the fast food industry in Malaysia in 2018 in terms of transaction amount. The table below sets forth the top five fast food brands in Malaysia in terms of number of outlets:

Ranking	Restaurant brands	Principal place of operation	Types of cuisines/products	No. of outlets in Malaysia ⁽¹⁾
1	Brand C	Global	Fried chicken, sandwiches, wraps, French fries, soft drinks	711
2	Brand A	Global	Hamburgers, chicken, French fries, soft drinks	280
3	Brand B	Global	Sandwiches, salads	234
4	Brand F	Global	Fried chicken, wraps, French fries, soft drinks	161
5	Brand H	Malaysia	Pizza, salad, wraps	91
Top five sub-total				1,477
	<i>Shihlin Brand</i>	Global	Chicken, floss egg crepe, handmade oyster mee sua and seafood tempura	82⁽²⁾

Notes:

- (1) The outlets above refer to total outlets of each brand in Malaysia as at the Latest Practicable Date.
(2) The number of outlets refers to number of all Shihlin Outlets and Restaurants (including Self-operated and Non-self-operated Outlets and Restaurants) as at the Latest Practicable Date.

Source: Frost & Sullivan

The table below sets forth the top five fast food brands in Malaysia in FY2019 in terms of estimated revenue and market share:

Ranking	Restaurant Operators	Stock Exchange	Principal place of operation	Business model	Types of cuisines/Products	Estimated fast food segment revenue in Malaysia FY2019 <i>(US\$ million)</i>	Estimated market share in FY2019 <i>(%)</i>
1	Brand C	NYSE	Global	Franchised	Fried chicken, sandwiches, wraps, French fries, soft drinks	645.4	35.7
2	Brand A	NYSE	Global	Franchised	Hamburgers, chicken, French fries, soft drinks	435.2	24.0
3	Brand F	Private	Global	Franchised	Fried chicken, wraps, French fries, soft drinks	38.5	2.1
4	Brand G	NYSE	Global	Franchised	Hamburgers, chicken, sandwiches, desserts	28.6	1.6
5	Brand B	Private	Global	Franchised	Sandwiches, salads	21.5	1.2
Top five total						1,169.2	64.6
	Our Group	Private	Global	Self-operated and franchised	Chicken, floss egg crepe, handmade oyster mee sua and seafood tempura	7.4	0.4
Total revenue						1,810.0	100.0

INDUSTRY OVERVIEW

Note: According to Frost & Sullivan, based on information available, the revenue mix of the major fast food brands set out in the above table vary, which may or may not include franchise fee income, royalties, sales of products to franchisees and/or sub-franchisees and/or retail operations generated from the market. Therefore, the revenue amounts do not represent the retail sales value of such fast food brands in Malaysia and hence may not objectively illustrate the market share and scale of business of each brand in the fast food industry. Therefore, the above table is for illustrative purpose only.

Source: Frost & Sullivan

Entry barriers

Stringent rules towards halal food: With over 60% of the Malaysian population are Muslims in 2018, fast food restaurants which intend to enter the Malaysian market need to get halal certification from the government beforehand so as to get qualified to sell food to domestic Muslims. To be more specific, Department of Islamic Development Malaysia (JAKIM), the agency responsible for halal certification in Malaysia, imposes stringent rules for food preparation and storage as well as regulations towards food premises, which could pose obstacles on new entrants who may not be experienced or capable enough to conform to a series of requirements.

Solid market position of chained operators: Chained operators comprise of the majority of fast food market in Malaysia. The existing chained operators have already gained location advantages and formed economies of scale. Meanwhile, benefiting from their industrial experience, those chain operators have obtained favourable supplier relations as well as consumer loyalty which are crucial for fast food operators. However, it would take a long time for new entrants to gain a foothold in such intense competition.

Acquisition of ideal locations: An ideal outlet location is principal for fast food restaurants to approach to as more consumers as possible since fast food restaurants are comparatively lower in unit profit, and daily consumer visits largely contribute to the turnover of the restaurants. Since existing players have already taken up locations in shopping malls, or near highways or other places with high pedestrian traffic volume, new entrants have limited options in choosing outlet locations, which may further constraint their profitability.

OVERVIEW OF FAST FOOD INDUSTRY IN INDONESIA

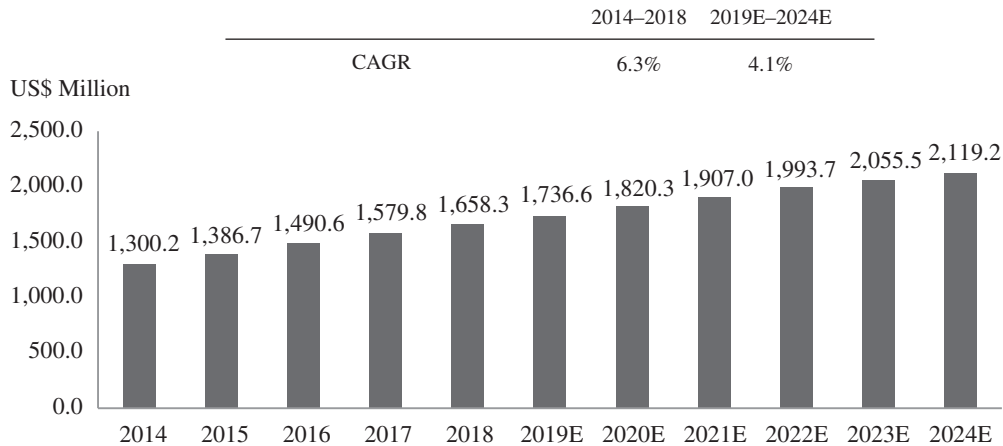
Market size

Fast food industry is a fast-growing market with a strong growth, increasing from approximately US\$1,300.2 million in 2014 to approximately US\$1,658.3 million in 2018, representing a CAGR of approximately 6.3%.

With further increment of household disposable income, the transaction amount generated from the fast food industry is estimated to reach approximately US\$2,119.2 million in 2024, representing a CAGR of approximately 4.1% from 2019 to 2024. The growth of fast food industry can mainly be attributable to the growing appearance of fast food industry in many of Indonesia's less developed areas.

INDUSTRY OVERVIEW

Market Size of Fast Food Industry (Indonesia), by Transaction Amount, 2014–2024E



Note: Exchange rate between IDR and US\$ used is average annual rate of 0.00007 as in 2018 that retrieved from OANDA.
Source: Frost & Sullivan

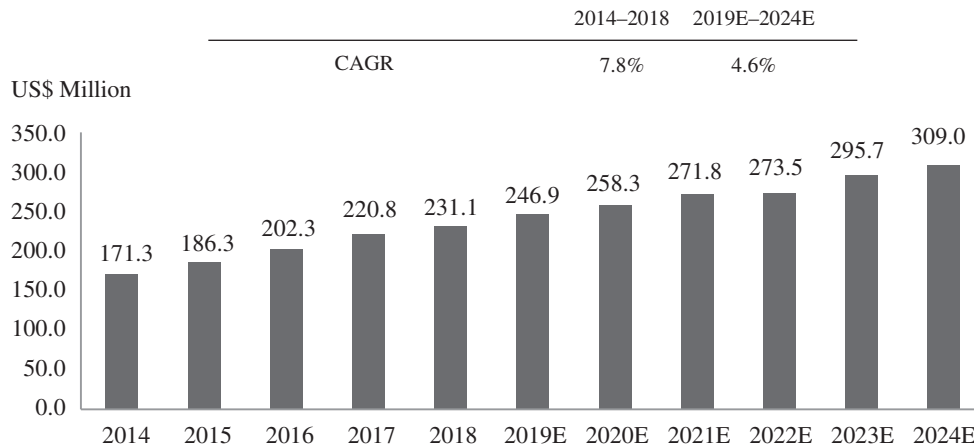
Market size of Asian fast food

The market size of Asian fast food sector in Indonesia experienced steady growth, growing from approximately US\$171.3 million in 2014 to approximately US\$231.1 million in 2018, representing a CAGR of approximately 7.8%.

It is expected that the Asian fast food sector in Indonesia will demonstrate faster development in the near future compared with that of the entire of fast food industry in Indonesia, with the market size of which in terms of transaction amount reaching approximately US\$309.0 million in 2024, representing a CAGR of approximately 4.6%. Such development is mainly due to the reason that Asian fast food suit Indonesians' taste as the food culture of Indonesia share more similarities with Asian food. The expected slower growth rate from 2019 to 2024 as compared to that for 2014 to 2018 was in line with that of the development trend of the overall catering services industry in Indonesia and household expenditure on food and beverage.

INDUSTRY OVERVIEW

Market Sizes of Asian Fast Food Industry (Indonesia), by Transaction Amount, 2014–2024E



Note: Exchange rate between IDR and US\$ used is annual average rate of 0.00007 as in 2018 that retrieved from OANDA.
Source: Frost & Sullivan

There were 149,689 catering services establishments in 2014 and 164,170 catering services establishments in 2018, representing a CAGR of approximately 2.3% from 2014 to 2018. The number of fast food establishments, however, recorded stronger growth from 5,841 in 2014 to approximately 7,210 in 2018, representing a CAGR of approximately 5.4% from 2014 to 2018. It is estimated that the number of catering services establishments would reach 178,625 in 2024, while the number of fast food establishments would be 8,567 in 2024, representing a five-year CAGR of approximately 1.3% and 2.8% from 2019 to 2024, respectively. The faster growth of fast food establishments is consistent with the expected stronger growth of fast food industry.

Market drivers

Increase in household disposable income: The economic growth of Indonesia has accelerated significantly since 2015. The annual household disposable income in Indonesia has risen from approximately US\$6,186.9 in 2015 to approximately US\$7,413.8 in 2018. This has directly benefited the fast food industry as overall growth in annual household disposable income has strongly fuelled the consumption demand and thus people in Indonesia have been more likely to dine out. With people’s higher dining out frequency, demand for catering services, especially fast food, has continued to increase.

Creation in dishes and diversified marketing methods: Fast food operators in Indonesia keep trying to explore new dishes. Moreover, as the internet is changing the whole catering services industry, fast food operators are encouraged to make full use of advanced communication media and technologies, such as online advertising and mobile advertising. Creation in dishes and diversified marketing methods have all strongly driven the fast food industry in Indonesia.

INDUSTRY OVERVIEW

Opportunities

Development of online marketing channels: The number of mobile internet users in Indonesia exceeded 70 million in 2018, and is expected to grow up to over 105 million in 2024. The high penetration of mobile internet offers a new marketing channel, apart from traditional marketing tools, for fast food operators to further develop their business.

Large demand for Halal food: Indonesia is one of the most popular Muslim countries in the world. Halal food exists predominantly due to the large Muslim population (more than 200 million) in Indonesia in 2018. For fast food operators, if they can acquire Halal certificate, there will be more chances for them to attract Muslim consumers, resulting in a much larger consumer base.

Threats

Competition from convenience stores: More convenience stores begin to provide fast food. Compared to fast food restaurants, convenience stores might not be able to provide fast food with better taste, but they usually have longer opening hours. Inevitably, convenience stores will attract some consumers who have originally bought fast food in fast food restaurants.

Relatively low entry barriers: The competition within fast food industry is increasingly fierce because of the relatively lower entry barrier comparing to other catering services industries. There is a growing amount of new fast food outlets' presence in Indonesia, with the number of fast food establishments increased from 5,841 in 2014 to 7,210 in 2018. Without improving their recipe or services, current fast food operators might face strong competition.

Future trends

Increasing level of automation: The fast food industry is increasingly adopting technology to relieve the shortage of labour and enhance operational efficiency and service quality, such as the use of automatic dishwasher, ordering system, mobile payment applications, remote table reservation and consumer data analysis software.

Technology upgrade: In fast food industry, getting the consumers in and out quickly is essential for increasing turnovers. In the near future, more fast food operators will implement Near Field Communication technologies, allowing consumers to make orders more efficiently. Specifically, fast food operators can offer their mobile applications for payment of bills.

Cost structure analysis

Labour cost

The average monthly salary of employees in the fast food industry in Indonesia has risen from approximately US\$146.5 in 2014 to approximately US\$216.3 in 2018, representing a CAGR of approximately 10.2%. It's estimated that the average monthly salary of employees in the fast food industry will still maintain similar growth and reach approximately US\$363.7 in 2024, with a five-year CAGR of approximately 8.7% from 2019 to 2024.

INDUSTRY OVERVIEW

Average price index of key raw materials

Chicken, seafood and vegetables are the most commonly-used raw materials in the catering services industry. Based on the price of 2012 (2012 = 100), the price index of vegetables in Indonesia experienced fluctuation and slightly increased to approximately 106.1 in 2018 meanwhile the price index of seafood increased steadily to approximately 127.8 in 2018.

Competitive landscape

Indonesia fast food industry is fragmented with a large number of fast food operators. There were approximately 7,210 establishments in the fast food industry in Indonesia in 2018 and over 90% of these establishments were small and medium-sized establishments with each having less than 50 employees. In 2018, *Shihlin Taiwan Street Snacks*[®] brand took approximately 1.2% of total fast food market in terms of transaction amount in Indonesia.

Key success factors in Indonesia fast food industry include stable supply chain and rich operation experience. Stable supply chain is important as stable supply chain can guarantee raw materials with high quality and reasonable prices. Rich operation experience helps to increase the service efficiency and consumer satisfaction level.

Entry barriers

Consumer preference: Consumers tend to choose those established brands over new brands due to guaranteed food quality, previous dining experience, and recommendation by other consumers. However, such preference is unlikely to be achieved by new market entrants within a short period of time.

Operation experience: Established restaurants can usually cater for new consumers' needs and respond to emergencies rapidly. However, new market entrants without sufficient operation experience might not be able to know new consumer needs quickly and are more easily to be negatively influenced by some emergencies.

OVERVIEW OF FAST FOOD INDUSTRY IN BRUNEI

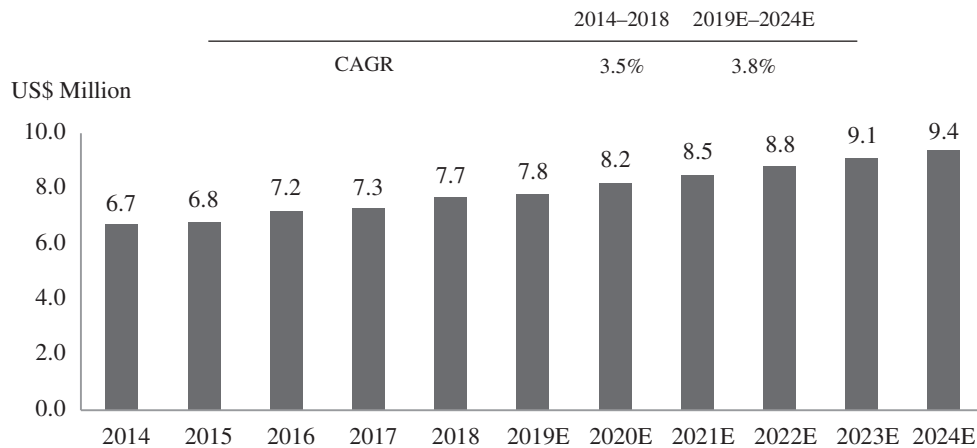
Market size of Asian Fast Food

The market size of Asian fast food sector in Brunei increased steadily from approximately US\$6.7 million in 2014 to approximately US\$7.7 million in 2018, representing a CAGR of approximately 3.5%.

It is expected that the Asian fast food sector in Brunei will demonstrate fast development in the near future, with the market size of which in terms of transaction amount reaching approximately US\$9.4 million in 2024, representing a CAGR of approximately 3.8%.

INDUSTRY OVERVIEW

Market Sizes of Asian Fast Food Industry (Brunei), by Transaction Amount, 2014–2024E



Source: Frost & Sullivan

The number of catering services establishments in Brunei showed an uptrend from 2014 to 2018, increasing from 1,038 in 2014 to 1,230 in 2018. It is expected to increase to 1,532 by 2024, representing a CAGR of approximately 3.6% from 2019 to 2024.

The growth rate of the number of fast food establishments was higher than that in other catering services segments in Brunei during 2014 to 2018. The number of fast food establishments in Brunei increased from 68 in 2014 to 82 in 2018, and it is anticipated to reach 105 by 2024, representing a CAGR of approximately 4.0% from 2019 to 2024.

Competitive landscape

Brunei fast food industry was fragmented with approximately 82 establishments in the fast food industry in Brunei in 2018 and over 90% of these establishments were small and medium-sized establishments with each having less than 50 employees. Large global fast food brands usually have their chain stores in Brunei although the size of these brands are also very small which have limited number of full-time employees in Brunei.

As a Muslim country, chicken is popular in Brunei, and many local snacks in the night market are made of chicken. Chinese fast food is also very popular in Brunei, as approximately 9.0% of the population in Brunei is Chinese.

OVERVIEW OF FAST FOOD INDUSTRY IN EGYPT

Macro economy

The nominal GDP in Egypt fluctuated and decreased from approximately US\$305.6 billion in 2014 to approximately US\$249.6 billion in 2018, representing a CAGR of approximately -4.9%. Due to the weak performance of Egypt pound against US dollar, the growth in nominal GDP in 2017 was offset by the foreign exchange loss and displayed approximately a 28.9% decrease in terms of year-over-year

INDUSTRY OVERVIEW

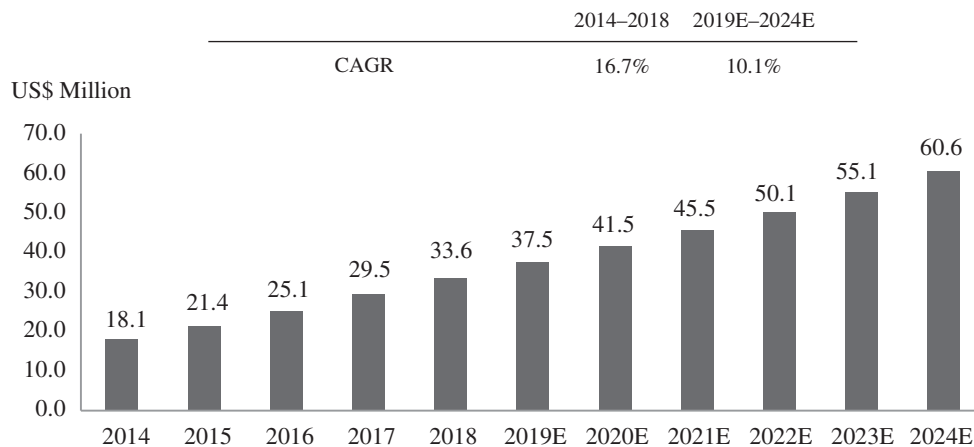
growth. According to International Monetary Fund, from 2019 to 2024, the nominal GDP in Egypt is expected to grow steadily, reaching approximately US\$402.7 billion in 2024, representing a five year CAGR of approximately 6.1%.

Market size

During the past five years, the transaction amount generated from Asian fast food industry increased from approximately US\$18.1 million in 2014 to approximately US\$33.6 million in 2018, representing a CAGR of approximately 16.7%. The fast growth was mainly due to the fallout from the economic crisis with Egyptian consumers becoming increasingly price-sensitive. Compared with full-services restaurants which spend much more on interior decoration and hiring waiters or waitresses, fast food outlets especially some local Middle Eastern fast food outlets that offer cheaper dishes such as taameya, foul, tehina and dips where limited or no catering services provided are attracting consumers.

It is estimated that the Asian fast food segment would reach exceed US\$60.6 million in 2024, growing at a CAGR of approximately 10.1% from 2019, which is in line with the trend of the fast food industry in Egypt.

Market Size of Asian Fast Food Industry (Egypt), by Transaction Amount, 2014–2024E



Note: Exchange rate between EGP and US\$ used is average annual rate of 0.056 as in 2018 that retrieved from OANDA.

Source: Frost & Sullivan

Competitive landscape

The fast food industry in Egypt was fragmented with approximately 13,100 establishments in the fast food industry in Egypt in 2018 and a majority of these establishments were small and medium-sized establishments with each having less than 50 employees. Large global fast food brands have already established their chain stores and have great market presence in Egypt.

REGULATORY OVERVIEW

As at the Latest Practicable Date, there were 228 Shihlin Outlets and Restaurants comprising (i) 15 Self-operated Outlets in Singapore; (ii) 14 Self-operated Restaurants in West Malaysia; (iii) two franchise Outlets in Singapore; (iv) three franchise Restaurants in Singapore; (v) three franchise Outlets in West Malaysia; (vi) 62 franchise Restaurants in West Malaysia; (vii) one franchise Outlet in East Malaysia; (viii) two franchise Restaurants in East Malaysia; (ix) 20 sub-licence Outlets in Indonesia; (x) 101 sub-licence Restaurants in Indonesia; (xi) three franchise Restaurants in Northern California; and (xii) two sub-franchise Restaurants in Northern California. Accordingly, our business operations in respect of our Self-operated Outlets and Restaurants are subject to the applicable laws and regulation in Singapore and West Malaysia. As advised by our Indonesia Legal Advisers, we are only required to comply with the licensing regulations in Indonesia (as detailed below) insofar as the Indonesia Master Licence is concerned as we do not have any direct presence in Indonesia. As advised by our United States Legal Advisers, we are only required to comply with the Federal and California Franchise laws (as detailed below) insofar as the Northern California Master Franchise is concerned as we do not have any presence in the United States.

LAWS AND REGULATIONS IN SINGAPORE

(a) Laws and regulations in relation to food and beverage operations

Environmental Public Health Act, Chapter 95 of Singapore (“EPHA”)

The EPHA requires any person who operates or uses a food establishment to obtain a licence from the Director — General of Food Administration (the “**Food Shop Licence**”). Under the EPHA, “food establishments” include retail food establishments where food is sold wholly by retail, including an eating establishment such as a restaurant. Any retail food establishments that are part of a food processing establishment governed by the Sale of Food Act, Chapter 283 of Singapore (“**Sale of Food Act**”) are exempted from obtaining a licence under the EPHA.

The Food Shop Licence is usually granted for a period of one (1) year and is renewable at the discretion of the Director — General of Food Administration and subject to such restrictions and conditions as the Director — General of Food Administration may think fit.

Prior to 1 April 2019, the NEA was the key regulatory body for food-related matters such as the granting of licences to operate food outlets and coffee shops, the registration of food handlers, and the administration of a grading system for food establishments and food stalls. With effect from 1 April 2019, all food-related regulatory functions have come under the purview of the newly-formed Singapore Food Agency (“**SFA**”).

The Singapore Food Agency (“**SFA**”) has implemented a point demerit system (“**PDS**”), a systematic approach in dealing with the suspension or revocation of licences, which also includes operators of coffee shops, food courts and canteens. Under the PDS, demerit points are given for each public health offence that is convicted in court or compounded. The offences are categorised as follows:

- Minor offences — zero (0) demerit points
- Major offences — four (4) demerit points

REGULATORY OVERVIEW

- Serious offences — six (6) demerit points

If a licensee accumulates twelve (12) demerit points or more within twelve (12) months, his licence will either be suspended for two (2) weeks or four (4) weeks, or be revoked, depending on past suspension records. If the main operator of a coffee shop, food court or canteen accumulates twelve (12) demerit points or more within twelve (12) months, his licence will be suspended for up to three (3) days. When the suspension takes place, all the individual stalls within the food establishment will also have to close.

Environmental Public Health (Food Hygiene) Regulations (“EPHR”)

The EPHR requires a licensee holding a Food Shop Licence to exhibit such licence in a conspicuous and accessible position within the licensed premises. The EPHR also provides that a licensee holding a Food Shop Licence must adhere to certain requirements in relation to, inter alia:

- registration of any employees who are engaged in the sale or preparation for sale of food with the Director-General of Food Administration;
- storage and refrigeration, packaging, transportation, sale and preparation of food;
- cleanliness of equipment used in the licensed premises;
- upkeep of the licensed premises;
- proper maintenance of toilet facilities at licensed premises; and
- personal cleanliness of any persons who are engaged in the sale or preparation for sale of food.

Registration of Food Handlers

The EPHR requires every licensee holding a Food Shop Licence to register his assistant or employee who is engaged in the sale or preparation for sale of any food (“**food handler**”) with the Director-General of Food Administration.

A food handler who wishes to register with the SFA is required to undergo and complete the training and assessment of the Basic Food Hygiene Course conducted by the SFA and Skills Future Singapore accredited training providers. The Basic Food Hygiene Course was introduced by the Workforce Development Agency (“**WDA**”) and is aligned to the Food & Beverage Workforce Skills Qualification (“**WSQ**”) system launched by the WDA as the national qualification system for the F&B industry. Under the Basic Food Hygiene Course, participants will learn, and be assessed on their ability to apply, the knowledge and skills in Follow Food & Beverage Safety and Hygiene Policies and Procedures which include practising good personal hygiene, using safe ingredients, handling food safely, storing food safely and maintaining cleanliness of utensils, equipment and service/storage areas. Upon successful completion of the course and assessment, participants will be awarded a Statement of Attainment (“**SOA**”), which is to be submitted along with the registration application.

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In addition, food handlers who have already passed the Basic Food Hygiene Course are required to attend a refresher training session by (i) the 5th year of their SOA date, and (ii) every tenth year from the last refresher course passed date.

Grading Scheme for Licensed Eating Establishments and Food Stalls

SFA administers a Grading System for Eating Establishments and Food Stalls which is a structured system of appraisal and was introduced to motivate licensees to improve and maintain good personal and food hygiene, and housekeeping of their premises. Retail food establishments are given a grade ranging from A to D by the SFA based on the overall hygiene, cleanliness and housekeeping standards of the premises. All food retail outlets are advised to display the certificate indicating their grade after they have been graded by the SFA, enabling the public to make a more informed choice when patronising food outlets.

As at the Latest Practicable Date, all of our Self-operated Outlets in Singapore have attained the “A” or “B” grade under SFA grading system and have their respective grading certificates displayed on site, save for the two Self-operated Outlets opened in August 2019 which have not been graded by the SFA yet as at the Latest Practicable Date.

Wholesome Meat and Fish Act, Chapter 349A of Singapore (“WMFA”)

Under the WMFA, a person who imports any meat product or fish product into Singapore is required to obtain a licence from the Director — General of Food Administration. In addition, a licensee who imports any meat product or fish product for sale, supply or distribution in Singapore must obtain a permit from the Director — General of Food Administration in respect of each consignment of meat products or fish products to be imported by him, and the import of each such consignment must be carried out in accordance with the conditions of the permit.

Sale of Food Act

The import of processed food products and food appliances is regulated by the SFA. Processed food products refer to all food products and supplements of food nature except meat products and fish products, fresh fruits and fresh vegetables. Any person who imports processed food and food appliances is required to register with SFA to obtain a registration number (“**Registration to Import Processed Food Products and Food Appliances**”). All processed food products to be imported must be manufactured in an establishment which is under proper supervision of the food authority of the exporting country, or has a quality assurance programme acceptable to SFA. In addition, a registered person or company must obtain a permit from SFA before importing any processed food products or food appliances into Singapore for sale. For food products that have been identified through trend studies to be of high potential health risk or have a history of poor food safety record, the importer is required to submit documents certifying the safety of the products together with the import permit application.

Registration of Food Storage Warehouses

The SFA requires every person engaged in the business of operating or controlling a food storage warehouse (“**FSW**”) to register its FSW with the Director-General of Food Administration. A “food storage warehouse” is defined as any building, facility, structure, or premise, where food

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is stored for the sale or distribution to other processors, wholesalers or any other business selling or distributing to the ultimate consumer. A “warehouse” includes coldrooms for storage of fruits, vegetables, dairy products but it does not include coldstore used for storage of meat and fish products. For meat and fish storage, a coldstore licence from SFA is required. As confirmed by our Directors, the coldstore facilities used by our Group are rented from a third party provider, and our Group does not require a licence to operate a coldstore.

FSW operators must ensure that all food products stored in the warehouse are safe and fit for human consumption. All registered FSWs are subjected to regular inspections by the SFA. FSW operators are advised to align their practices to the SFA’s recommended Good Warehousing Practices (GWP) which contains guidelines relating to the location, condition of the premises, its toilet facilities, chillers and freezers, storage conditions and transportation of food, personal hygiene of persons within the premises and involved in operations, and pest control. During the inspection, the Cold Store Audit Assessment Checklist will be used to assess the food storage warehouses.

(b) Laws and regulations in relation to employment, health and safety

Employment Act, Chapter 91 of Singapore (“EA”)

The EA is administered by MOM and sets out the basic terms and conditions of employment and the rights and responsibilities of employers as well as employees who are covered under the EA (“**relevant employees**”).

In particular, Part IV of the EA sets out requirements for rest days, hours of work and other conditions of service for workmen who receive salaries not exceeding S\$4,500 a month and employees (other than workmen) who receive salaries not exceeding S\$2,600 a month. Section 38(8) of the EA provides that a relevant employee is not allowed to work for more than 12 hours in any one day except in specified circumstances, such as where the work is essential to the life of the community, national defence or security or such other circumstances specified under Section 88(2) of the EA. In addition, section 38(5) of the EA limits the extent of overtime work that a relevant employee can perform to no more than 72 hours a month.

Employers must seek the prior approval of the Commissioner for Labour (“**Commissioner**”) for exemption if they require a relevant employee or class of relevant employees to work for more than 12 hours a day or work overtime for more than 72 hours a month. The Commissioner may, after considering the operational needs of the employer and the health and safety of the relevant employee or class of relevant employees, by order in writing exempt such relevant employees from the overtime limits subject to such conditions as the Commissioner thinks fit. Where such exemptions have been granted, the employer shall display the order or a copy thereof conspicuously in the place where such employees are employed.

The EA additionally requires employers to:

- provide itemised payslips to all employees;
- provide employees with written key employment terms; and

REGULATORY OVERVIEW

- keep detailed employment records for each employee.

Employment of Foreign Manpower Act, Chapter 91A of Singapore (“EFMA”)

The availability and the employment cost of skilled and unskilled foreign workers are affected by the government’s policies and regulations on the immigration and employment of foreign workers in Singapore. The policies and regulations are set out in, inter alia, the EFMA and the relevant Government Gazettes.

Under the EFMA, no person shall employ a foreign employee and no foreign employee shall be in the employment of an employer unless the foreign employee has a valid work pass. In relation to the employment of semi-skilled or unskilled foreign workers, employers must ensure that such persons apply for a “Work Permit”. In relation to the employment of foreign mid-level skilled workers, employers must ensure that such persons apply for a “S Pass”. The S Pass is intended for mid-level skilled foreigners who earn a monthly fixed salary of at least S\$2,300. In relation to the employment of foreign professionals, employers must ensure that such persons apply for an “Employment Pass”.

Pursuant to the EFMA, the foreign worker must also be employed in accordance with the conditions of his work pass.

The Employment of Foreign Manpower (Work Passes) Regulations 2012 (“EFMR”) requires employers of work permit holders, inter alia, to:

- bear the costs of the work permit holder’s medical treatment (unless explicitly agreed otherwise in the work permit holder’s employment contract or collective agreement and the part of the medical costs to be paid by the work permit holder forms not more than 10% of the employee’s monthly salary);
- provide safe working conditions;
- provide acceptable accommodation consistent with any law or governmental regulations; and
- provide and maintain medical insurance for inpatient care and day surgery, with coverage of at least S\$15,000 per every 12-month period.

The EMFR also requires employers of S Pass holders, inter alia, to:

- bear the costs of the S pass holder’s medical treatment (unless explicitly agreed otherwise in the S pass holder’s employment contract or collective agreement and the part of the medical costs to be paid by the S pass holder forms not more than 10% of the employee’s monthly salary); and
- provide and maintain medical insurance for inpatient care and day surgery, with coverage of at least S\$15,000 per every 12-month period.

An employer of foreign workers is also subject to, inter alia, the provisions set out in the EA, the EFMA, the Immigration Act, Chapter 133 of Singapore and the Immigration Regulations.

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As at the Latest Practicable Date, we had approximately 31 full-time foreign employees in Singapore.

Foreign Worker Quotas and Limitations

The number of work permit and S pass holders a company can hire in Singapore is limited by a quota and subject to limitations.

Within the services sector, which includes restaurants and other approved food establishments, the maximum number of years a foreign worker can work in Singapore on a work permit is 14 years for basic-skilled foreign workers from the PRC and 22 years for higher-skilled foreign workers from the PRC. There is no maximum period of employment for work permit holders from Malaysia, Hong Kong, Macau, South Korea and Taiwan. Regardless of their country of origin, all work permit holders can only work up to 60 years of age.

The total quota for foreign workers (whether work permit holders or S pass holders) hired by a company within the services sector in Singapore is 40% of the company's total workforce. The quota for S pass holders hired by a company within the services sector is 15% of the company's total workforce, which is counted within, not in addition to, the company's total quota for foreign workers. For the services sector, the work permit quota for workers from the PRC is calculated as $8\% \times (\text{total workforce} + 1)$ with the PRC quota figure rounded down to the nearest whole number. A company's total workforce is the sum of its local full-time employees, work permit holders and S pass holders but excludes employment pass holders. Local full-time employees are Singaporean and permanent resident employees employed under contracts of service who earn at least S\$1,300 per month. Singapore and permanent resident employees employed under contracts of service who at least S\$650 but less than S\$1,300 per month are considered local part-time employees and, for the purpose of calculating a company's number of local employees, two part-time employees equate to one full-time employee. In calculating a company's foreign worker quota, business owners of sole proprietorships or partnerships and employees who receive CPF contributions from three or more employers are excluded.

Foreign Worker Levies

The employment of foreign workers is also subject to the payment of levies. Levies of S\$450, S\$600 and S\$800 are payable monthly for basic skilled tier one work permit holders, basic skilled tier two work permit holders and basic skilled tier three work permit holders in the services sector, respectively. Tier one applies where work permit holders make up to 10.0% of the total workforce of the employer in the services sector. Tier two applies where this percentage is above 10.0%, and up to a maximum of 25.0%. Tier three applies where this percentage is above 25.0% and up to a maximum of 40.0%.

The levies applicable for S Pass holders take a tiered approach, such that companies which hire close to the maximum quota will pay higher levies. Levies of S\$330 and S\$650 are applicable for S Pass holders under the basic tier and tier two, respectively. The basic tier is applicable to companies with a dependency ratio of one foreign worker for every 10 full-time workers (10.0%) or lower while the tier two is applicable to companies with a dependency ratio of above 10.0% and up to a maximum of 15.0%.

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Workplace Safety and Health Act, Chapter 354A of Singapore (“WSHA”)

Under the WSHA, every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that the person at work has adequate instruction, information, training and supervision as is necessary for that person to perform his work.

More specific duties imposed by the Ministry of Manpower (“**MOM**”) on employers are laid out in the Workplace Safety and Health (General Provisions) Regulations. These duties include taking effective measures to protect persons at work from the harmful effects of any exposure to any biohazardous material which may constitute a risk to their health.

Work Injury Compensation Act, Chapter 354 of Singapore (“WICA”)

The WICA, which is regulated by the Ministry of Manpower, applies to all employees in all industries engaged under a contract of service in respect of injury suffered by them in the course of their employment and sets out, inter alia, the amount of compensation they are entitled to and the method(s) of calculating such compensation.

The WICA provides that the employer shall be liable to pay compensation in accordance with the provisions of the WICA, if personal injury by accident arising out of and in the course of the employment is caused to an employee. Employers are required to maintain work injury compensation insurance for all employees doing manual work regardless of salary level and non-manual employees earning S\$1,600 or less a month, who are engaged under contracts of service (unless exempted).

LAWS AND REGULATIONS IN MALAYSIA

(a) Laws and regulations relating to food production and food safety

The Food Act 1983

The Food Act 1983 (“**FA 1983**”) (together with the Food Regulations 1985) was enacted to protect the public against health hazards and fraud in the preparation, sale and use of food, and for matters incidental thereto or connected therewith.

The FA 1983 is applicable to all foods sold in Malaysia either locally produced or imported, covers a broad spectrum from compositional standards to food additives, nutrient supplements, contaminants, packages and containers, food labelling, procedure for taking samples, food irradiation, provision for food not specified in the regulations and penalty.

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Sections 13 to 17 of FA 1983 provides that any persons that prepare and sell food containing substances injurious to health, unfit for human consumption, and adulterated food commits an offence under the Act and shall be liable, upon conviction to a fine that could range from RM20,000 to RM100,000, respectively or to imprisonment for a term ranging from 5 to 10 years or both fine and imprisonment. In addition, the Director General of Health may, by notice in writing, order that food be recalled, removed or withdrawn from sale from any food premises.

The Food Regulation 1985

Regulation 9 of the Food Regulations 1985 (“**FR 1985**”) provides that no person shall advertise for sale or sell food contained in a package if the package does not bear all the particulars required to be contained on a label required by the regulations; or if the label contains something that is prohibited by the regulations; or if the label contains particulars that are not in the position or manner required by these regulations.

Pursuant to regulation 11 of the FR 1985, every package containing food for sale shall include among others, the appropriate designation of the food containing the common name of its principal ingredients. In some cases, specific statements are further required. For example, in the case of food containing beef, alcohol or pork, its derivatives or lard, the label must contain a statement as to the presence of the same.

Regulation 397 of FR 1985 provides that any person who contravenes or fails to comply with the provisions of FR 1985 commits an offence and where no penalty is provided by the FR 1985, the offender will be liable to a fine not exceeding RM5,000 or imprisonment of a term not exceeding two years.

The Food Hygiene Regulation 2009

Regulation 3 of the Food Hygiene Regulation 2009 (“**FHR 2009**”) prohibits any person from using any food premises for the purposes or in connection with the preparation, preservation, packaging, storage, conveyance, distribution or sale of any food or the relabelling, reprocessing or reconditioning of any food unless the premises is registered with the Ministry of Health. FHR 2009 provides that among others all food premises involved in the manufacturing of food and premises where food is prepared, processed, stored or served for sale shall be licensed. Failure to comply with the same constitute an offence under FHR 2009 and upon conviction shall be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding two years.

The FHR 2009 also provides for general duties of the proprietor, owner or occupier and food handlers in relation to the training of food handlers, cleanliness of food premises, preparing, packing and serving of food and storage, exposure and display of food for sale.

(b) Laws and regulations relating to business operation

The Local Government Act 1976

It is a requirement for a company carrying out business in Malaysia to obtain a business licence for each operating premise from the relevant local authority which is empowered under the Local Government Act 1976 (“**LGA 1976**”).

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LGA 1976 confers the power to the local authority to make by-laws which provide that no person shall use any premise within the jurisdiction of respective Municipal Council without a licence issued by respective Municipal Council.

The validity of the business licence granted by the local authority shall be valid for a period not exceeding three years and subject to renewal. Every person to whom a licence has been granted shall exhibit its licence at all times in some prominent place on the licensed premises and shall produce such licence if required to do so by any officer of the local authority authorised to demand the same. It is provided under LGA 1976 that any person who fails to exhibit or to produce such licence shall be liable to a fine not exceeding RM500 or to imprisonment for a term not exceeding six months or to both.

The Franchise Act 1998

The Franchise Act 1998 (“**FA 1998**”) regulates the franchising industry as it not only controls the terms of any franchise agreement but also implements a systematic scheme of registration for the franchisor, franchisee, franchise consultants and franchise brokers.

Section 54 of the FA 1998 provides that a foreign person who intends to sell a franchise in Malaysia or to any Malaysian citizen shall submit an application to the Registrar of Franchises, Ministry of Domestic Trade Co-operatives and Consumerism.

Section 6A of FA 1998 further provides that a franchisee who has been granted a franchise from a foreign franchisor shall before the commencement of the franchise business, apply to register the franchise with the Registrar of Franchises.

Any franchisor who fails to comply with above requirements, unless exempted, shall be liable, if such person is a body corporate, to a fine not exceeding RM10,000 and not more than RM50,000.

Section 18 of the FA 1998 provides that all the franchise agreement shall be in writing and shall contain all the information listed under Section 18(2) of the FA 1998. Failure to comply the same shall render the franchise agreement null and void. All franchise agreements shall also contain a cooling off period not less than seven working days, during which, the franchisee has the option to terminate the agreement. FA 1998 also provided the permission to collect and impose fees, which includes the franchisee fee, royalty and promotion fee as deemed necessary by the franchisor and the guaranteed of the fixed franchise term of not less than five years for every franchise agreement.

(c) Laws and regulation relating to consumer protection

The Consumer Protection Act 1999

The Consumer Protection Act 1999 (“**CPA 1999**”) is an act enacted to provide greater protection for the consumer. All the products shall meet the requisite safety standards including:

- (i) the performance, composition, contents, manufacture, processing, design, construction, finish or packaging of the goods;

REGULATORY OVERVIEW

- (ii) the testing of the goods during or after manufacture or processing;
- (iii) the form and content of markings, warnings or instructions to accompany the goods.

The person supplying or offering to supply the goods or services shall adopt and observe a reasonable standard of safety to be expected by a reasonable consumer, due regard being had to the nature of goods or services concerned.

There is an implied guarantee that all the goods supplied are of an acceptable quality. The goods shall be deemed to be of acceptable quality if they are fit for all purposes for which goods of the type in question are commonly supplied; acceptable in appearance and finish; free from minor defects; safe and durable. A reasonable consumer fully acquainted with the state and condition of the goods, including any hidden defects, would regard the goods as acceptable having regard to:

- (i) the nature of the goods;
- (ii) the price;
- (iii) any statements made about the goods on any packaging or label on the goods;
- (iv) any representation made about the goods by the supplier or the manufacturer; and
- (v) all other relevant circumstances of the supply of the goods.

Failure to comply the same will on conviction be liable, if such person is a body corporate, to a fine not exceeding RM250,000, and for a second or subsequent offence, to a fine not exceeding RM500,000.

(d) Laws and regulations relating to employment

The business of our Group is subject to the employment laws in Malaysia. Malaysia's employment and labour laws are governed by statutes and case law.

The Employment (Restriction) Act 1968 & Immigration Act 1959/1963

The Employment (Restriction) Act 1968 (“**ERA 1968**”) provides that no person shall employ in Malaysia, a non-citizen unless there has been a valid employment permit issued. Upon obtaining the approval from the Ministry of Home Affairs (“**MOHA**”), a company is required to submit applications for Visit Pass (Temporary Employment) to the Foreign Workers Division, Immigration Department of Malaysia. The approval of the Visit Pass (Temporary Employment) can be revoked if its conditions are contravened.

Failure to comply will result the employer being fined not exceeding RM5,000 or to imprisonment for a term not exceeding one year or both wherein “employer” is defined under ERA 1968 as any person who has entered into a contract of service to employ any other person as an employee includes the agent, manager or factor of such first mentioned person.

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It is further provides in the Immigration Act 1959/1963 (“IA”) that any person who employs one or more persons, other than a citizen or a holder of an entry permit, who is not in possession of a valid pass shall be guilty of an offence and shall on conviction, be liable to a fine of not exceeding RM50,000 or to a imprisonment for a term not exceeding 12 months or to both for each such employee.

In addition, no occupier shall permit any illegal immigrant to enter or remain at any premises, failing which, the occupier shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM30,000 or to imprisonment for a term not exceeding 12 months or to both for such illegal immigrant found at the premises.

Further thereto, in the event that our Group intends to bring more new foreign employees for its operation in Malaysia, our Group is required to obtain a quota approval from the MOHA. As part of the application process, there will be an interview session conducted by the MOHA and the particular regulatory authority for the sector in which the employer operates. Quota approval to bring in new foreign workers will be given based on the actual requirement of the employer. Each quota approval letter issued by the MOHA will specify the number of foreign workers the employer is entitled to bring in, together with the period for which the approval is valid.

The Occupational Safety and Health Act 1994

The Occupational Safety and Health Act 1994 (“**OSHA 1994**”) provides a legislative framework to promote standards for safety and health at work. The safety, health and welfare of persons at work are regulated under OSHA 1994 which is under the purview of the Department of Occupational Safety and Health, Ministry of Human Resources.

Pursuant to the provisions contained the OSHA 1994, the employer has a duty to ensure:

- (i) so far as is practicable, the safety of the operation of the plant and systems of works;
- (ii) the safety and the absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances;
- (iii) that the provision of such information, instruction training and supervision as is necessary to ensure, so far as practicable, the safety and health at work of his employees;
- (iv) so far as is practicable, as regards any place of work under control of the employer, the maintenance of it in a condition that is safe and without risks to health and the provision and maintenance of the means of access to and egress from it that are safe and without such risks; and
- (v) the provision and maintenance of working environment for his employees that is, so far as is practicable, safe, without risks to health and adequate as regards facilities for their welfare at work.

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The employer shall prepare and as may be appropriate revise the general policy with respect to the safety and health at work of his employees. A guidelines in relation to the occupational safety and health issue in the service sector was issued by the Department of Occupational Health and Safety for the employers involved in the service sector.

(e) **Laws and regulations relating to intellectual property**

The Trade Marks Act 1976

Trade Marks Act 1976 (“**TMA 1976**”) provides protection for registered trade marks and service marks in Malaysia.

It is provided under TMA 1976 that the valid registration of a person as registered proprietor of a trade mark (other than a certification trade mark) in respect of any goods or services shall be given or be deemed to have been given to that person the exclusive right to the use of the trade mark in relation to those goods or services subject to any conditions, amendments, modifications or limitations entered in the Register of Trade Marks (“**Register**”). Only the proprietor of a registered trade mark may claim for trade mark infringement under TMA 1976.

A mark must be capable, in relation to any goods or services, of distinguishing in the course of trade goods or services certified by any person in respect of origin, material, mode of manufacture, quality, accuracy, or other characteristic, from goods or services not so certified shall be registrable as a certification trade mark in the Register in respect of those goods or services in the name of that person as proprietor thereof except that a mark shall not be so registrable in the name of a person who carries on a trade in goods or services of the kind certified.

A trade mark, once registered with the Intellectual Property Corporation of Malaysia is valid for 10 years and may be renewed every 10 years.

The Common Law Protection towards Unregistered Trade Marks

It is provided under Section 82 of TMA 1976 that no person shall be entitled to initiate any action to prevent or to recover damages for the infringement of an unregistered trade mark. However, nothing in this TMA 1976 shall be deemed to affect the right of action against any person for passing off goods or services as those of another person or the remedies in respect thereof.

Despite the non-registration of the trade mark under the TMA 1976, there is an alternative cause of action for passing off goods or services under common law.

(f) **Laws and regulations relating to foreign exchange control**

The Financial Services Act 2013

The business of our Group in Malaysia is subject to foreign exchange laws and regulations in Malaysia.

REGULATORY OVERVIEW

There are foreign exchange policies in Malaysia which support the monitoring of capital flows into and out of the country in order to preserve its financial and economic stability. The Financial Services Act 2013 (“**FSA 2013**”) provides regulation and supervision of financial institutions, payment systems and other relevant entities and the oversight of the money market and foreign exchange market to promote financial stability and for related, consequential or incidental matters.

The foreign exchange administration rules provide for the regulation and supervision of financial in situations, payment systems and other relevant entities and the oversight of the money market and foreign exchange market to promote financial stability and for related, consequential or incidental matters.

Pursuant to Notice 4 issued by Central Bank of Malaysia, a non-resident is allowed to repatriate funds from Malaysia, including any income earned or proceeds from divestment of ringgit asset, provided that the repatriation is made in foreign currency. The Foreign exchange administration rules further allow non-residents to remit out divestment proceeds, profits, dividends or any income arising from investments in Malaysia. Repatriation, however, must be made in foreign currency.

Based on the aforementioned, the subsidiaries of our Company in Malaysia are free to remit out divestment proceeds, profits, dividends or any income arising from the investments in Malaysia to its overseas holding company. However, there is no assurance that the relevant rules and regulations on foreign exchange control in Malaysia will not change. Any future restriction on repatriation of funds may limit the dividends or distribution to our Company and could adversely affect our Group’s financial condition.

LAWS AND REGULATIONS IN INDONESIA

Licensing

Licensing (including sub-licensing) is less regulated than franchising in Indonesia. Licensing is regulated under Law No. 20 of Year 2016 and Regulation of Minister of Law and Human Rights No. 8 of Year 2016 (“**Licensing Regulations**”). Generally, licensing is an effective means of permitting the conditional use of intellectual property and know-how when licensors do not qualify as franchisors or do not meet the requirements of franchising in Indonesia. Licensing of intellectual property rights must be effected by valid written instruments (“**Licence Agreements**”).

Under the Licensing Regulations, Licence Agreements are valid and enforceable in the whole of Indonesia unless agreed otherwise by the parties thereto, and such Licence Agreements should be registered with the Ministry of Law and Human Rights. A registration fee of IDR500,000 (for the licensing of trade marks) or IDR150,000 (for the licensing of trade secrets) is chargeable in respect thereof. Registration is valid for five (5) years and may be renewed for another term of five (5) years upon payment of a renewal fee. However, the Licensing Regulations do not provide any sanctions for failure to register Licence Agreements, and such Licence Agreements will remain valid and enforceable between the parties thereto.

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Both our Group's Franchisees and Licensee are granted the right to use our Group's intellectual property rights under the relevant franchise agreement and licence agreement, respectively. As advised by our Indonesia Legal Advisers, franchising and licensing are two alternative arrangements to achieve the same commercial objectives in Indonesia. The rationale for using the licensing arrangement instead of the franchising arrangement in Indonesia is that there are more legal pre-requisites and formalities under the franchising regime than the licensing regime in Indonesia.

These mainly include the requirements of (i) having a track record of being a franchisor outside Indonesia and profitability for at least the last two years; (ii) inclusion of certain mandatory provisions in the relevant franchise agreement, as set out in Attachment II of Minister of Trade Regulation No. 53/2012, such as the number of outlets to be operated by the franchisee, rights and obligations of franchisor and franchisee, period of franchise, fee/royalty, dispute resolution, extension, termination and cancellation of franchise agreement, and guarantee from the franchisor to meet its obligations; (iii) preparing a franchise prospectus, which should set out, *inter alia*, the franchisor's particulars, its corporate documents, audited financial statements and organisational structure; (iv) registering the relevant franchise agreement with the Ministry of Trade in Indonesia; and (v) obtaining a STPW (franchisor's registration certificate).

As advised by our Indonesia Legal Advisers, there are no notable additional rights that are granted to franchisors as compared to licensors in Indonesia. Generally, franchisors may take part in franchise expositions, while licensors may not.

Our Group therefore opted to operate in Indonesia *via* the licensing regime in order to save the time and costs to fulfil the aforesaid pre-requisites under the franchising regime. As advised by the Indonesia Legal Advisers in its legal opinion, based on the fact that the Indonesia Master Licence Agreement between STSS Company and the Master Licensee is valid and enforceable, and our Company's and STSS Company's confirmation that there is no breach of the Indonesia Master Licence Agreement by the Master Licensee, the Indonesia Legal Advisers are of the view that our Group's licensing operations in Indonesia through the licensing model, as detailed in the section headed "Business" of this prospectus, is compliant with all applicable laws, rules and regulations in Indonesia, and there are no foreseeable adverse legal implications for our Group insofar as the choice to operate via licensing, rather than franchising is concerned.

Taxation

As advised by Baker Tilly, given that (i) pursuant to the Indonesia Master Licence Agreement, all fees payable to our Group shall be without any restriction, condition, set-off, deduction or withholding, and (ii) our Group does not have any permanent establishment in Indonesia as it has no operations of its own in Indonesia, our Group has no tax obligations arising in Indonesia.

REGULATORY OVERVIEW

LAWS AND REGULATIONS IN THE UNITED STATES

Federal and California Franchise Laws

Franchise Rule

Section 436.2 of the Federal Trade Commission's Franchise Rule requires that a franchisor in all 50 states (and territories subject to U.S. jurisdiction) provide to a prospective franchisee a franchise disclosure document in a prescribed format at least 14 calendar days prior to payment of a fee or execution of a franchise agreement.

California Franchise Investment Law

Sections 31110 and 31119 of the California Franchise Investment Law require that a franchisor prepare and submit its franchise disclosure document to the California State's franchise authorities, and obtain approval from the state regulatory authorities prior to any offer or sale of a franchise in the state, to residents of the state, or for franchise rights in the state.

The above federal and California franchise registration and disclosure requirements are subject to certain exemptions, none of which applies to our Group.

Taxation

As advised by Nixon Peabody LLP, our United States Legal Advisers, based on the information reviewed, given that (i) the onus to withhold tax falls on the Northern California Master Franchisee and that it will indemnify our Group for any tax liabilities if arisen, (ii) our Company confirms that all payments received from the Northern California Master Franchisee shall be without any restriction, condition, set-off, deduction or withholding, and (iii) our Group does not have any permanent establishment in the U.S. as it has no operations that are considered as tax residents in the U.S., our Group has no tax obligations arising from the U.S. as at the Latest Practicable Date.

The principal consequences of non-compliance with federal and California registration and disclosure requirements are (i) private claims by franchisees and prospective franchisees, and (ii) enforcement actions by the Federal Trade Commission and the California Department of Business Oversight. The civil remedies for a franchise registration or disclosure violation in California include rescission and restitution, and recovery of damages. Violations of the Federal Trade Commission's Franchise Rule can result in an enforcement action by the Federal Trade Commission, including lawsuits in federal district court and seeking civil penalties (up to US\$10,000 per violation) and injunctive and other equitable relief. On the other hand, the Commissioner of the California Department of Business Oversight, as the California State's franchise regulator, can pursue a variety of remedies to remedy violations of the California Franchise Investment Law, such as issuance of a stop order (to stop the offer or sale of franchises), issuance of a desist and refrain order (to refrain from all activity that is alleged to be in violation of state regulations), rescission, civil penalties (up to US\$10,000 per violation) and administrative penalties (up to US\$2,500 per violation). Although willful violations are punishable by criminal prosecution under Sections 31410 and 31411 of the California Franchise Investment Law, in recent years criminal prosecutions of franchisors have been extremely rare.

HISTORY, REORGANISATION AND GROUP STRUCTURE

OVERVIEW

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 2 February 2018. Since incorporation, our Company has been an investment holding company with no business operations. Pursuant to the Reorganisation, our Company became the ultimate holding company of our Group for the purpose of the Listing.

HISTORY AND BUSINESS DEVELOPMENT

Our history can be traced back to 2003 when Mr. Tay, our Chairman, executive Director and Controlling Shareholder, and Mr. Wong, our chief executive officer, executive Director and Controlling Shareholder together founded STSS Company with a vision to introduce authentic Taiwanese cuisine to the fast food industry in Singapore. Please refer to the section headed “Directors and Senior Management” of this prospectus for further details of our founders.

Throughout our years of operations, we have successfully charted the course from the establishment of STSS Company in Singapore in June 2003 to 228 Shihlin Outlets and Restaurants as at the Latest Practicable Date with international footprints spanning across Singapore, Malaysia, Indonesia and the United States.

MILESTONE

The major business development of our Group since our establishment are summarised as follows:

<u>Month/Year</u>	<u>Business milestones</u>
June 2003	STSS Company was established in Singapore
November 2003	Opening of the first pop-up store in Singapore
February 2004	Opening of the first Self-operated Outlet in Singapore
August 2004	Opening of the first Non-self-operated Outlet in Singapore
October 2005	Opening of the first Self-operated Outlet in West Malaysia
March 2007	Opening of the first Non-self-operated Outlet in Indonesia
July 2013	Opening of the first Non-self-operated Outlet in Australia
December 2016	Opening of the first Non-self-operated Outlet in the U.S.
May 2017	Introducing of our own range of beverages in Singapore and Malaysia

HISTORY, REORGANISATION AND GROUP STRUCTURE

CORPORATE HISTORY DEVELOPMENT

As at the Latest Practicable Date, our Group comprised our Company, Clever Steed, an intermediary holding company of our Company and our Operating Subsidiaries. Our Operating Subsidiaries, as at the Latest Practicable Date, included (i) STSS Company; (ii) Shihlin (HM); (iii) Umami; (iv) STSS Resources; (v) Shihlin (313); (vi) STSS Integrated; (vii) Shihlin (JP); (viii) Shihlin (TM); (ix) Shihlin (HF); (x) Shihlin (NP); (xi) STSS IP; (xii) STSS Concepts; and (xiii) STSS Resources (M).

Our principal operating subsidiaries

The STSS Company Pte. Ltd.

STSS Company (formerly known as Denieru Tatsu F&B Holdings (S) Pte. Ltd.) was incorporated as an exempt private company limited by shares in Singapore on 4 June 2003 with an issued share capital of S\$100 divided into 1,000 shares of S\$0.10 each.

At the time of incorporation, each of Mr. Tay and Mr. Wong was allotted and issued 500 shares in the share capital of STSS Company at the subscription price of S\$0.10 per share nil paid. On 24 August 2006, Shihlin (HM) was allotted and issued 700,000 shares for a consideration of S\$0.10 per share, STSS Resources was allotted and issued 749,500 shares for a consideration of S\$0.10 per share, and Shihlin (313) was allotted and issued 549,500 shares for a consideration of S\$0.10 per share, all of which had been settled and fully paid up. These shares issued on 24 August 2006 were held in trust by Shihlin (HM), STSS Resources and Shihlin (313) on behalf of Mr. Tay and Mr. Wong in equal share. On 25 August 2006, each of Mr. Tay and Mr. Wong paid up the outstanding S\$50 on their respective shares resulting in an increase in the paid up share capital of STSS Company from S\$199,900 to S\$200,000. On the same date, Shihlin (HM), STSS Resources and Shihlin (313) transferred an aggregate of 999,500 shares back to each of Mr. Tay and Mr. Wong at nominal consideration. On 3 May 2018, STSS Company allotted and issued 5,000,000 shares to each of Mr. Tay and Mr. Wong for a consideration of S\$0.10 per share. There had been no further change in the share capital of STSS Company since.

Immediately before the Reorganisation, STSS Company had an issued and paid up share capital of S\$1.2 million divided into 12 million shares of S\$0.10 each, of which 50% is owned by Mr. Tay and 50% by Mr. Wong. Pursuant to the Reorganisation, STSS Company became an indirect wholly-owned subsidiary of our Company.

STSS Company engages in the principal activities of retail of food and beverage and franchising.

Shihlin Taiwan Street Snacks (HM) Pte. Ltd.

Shihlin (HM) was incorporated as an exempt private company limited by shares in Singapore on 11 April 2005 with an issued share capital of S\$50,000 divided into 500,000 shares of S\$0.10 each. At the time of incorporation, STSS Company was allotted and issued 500,000 shares at the subscription price of S\$0.10 per share fully paid. These shares issued on 11 April 2005 were held in trust in equal proportions for the benefit of Mr. Tay and Mr. Wong. On 1 December 2005, STSS Company transferred 250,000 shares back to each of Mr. Tay and Mr. Wong at nominal consideration. On 8 August 2007, Shihlin (HM) allotted and issued 250,000 shares to each of Mr. Tay and Mr. Wong for a consideration of S\$0.10

HISTORY, REORGANISATION AND GROUP STRUCTURE

per share fully paid. On the same date, Shihlin (HM) effected a subdivision of its 1,000,000 shares into 10,000,000 shares with no change to its share capital of S\$100,000. There had been no further change in the share capital of Shihlin (HM) since.

Immediately before the Reorganisation, Shihlin (HM) had an issued and paid up share capital of S\$100,000 divided into 10,000,000 shares of S\$0.01 each fully paid, of which 50% is owned by Mr. Tay and 50% by Mr. Wong. Pursuant to the Reorganisation, Shihlin (HM) became an indirect wholly-owned subsidiary of our Company.

Shihlin (HM) engages in the principal activities of retail of food and beverage.

Umami Concepts Pte. Ltd.

Umami (formerly known as Wonderful World of Milk Pte. Ltd. and Forever Divas Pte. Ltd.) was incorporated as an exempt private company limited by shares in Singapore on 18 October 2005 with an issued share capital of S\$100 divided into 1,000 shares of S\$0.10 each fully paid. At the time of incorporation, each of Mr. Tay and Mr. Wong was (i) allotted and issued 500 shares at the subscription price of S\$0.10 per share nil paid. On 10 May 2006, STSS Resources was allotted and issued 350,000 shares for a consideration of S\$0.10 per share, all of which had been settled and fully paid-up; and Shihlin (313) was allotted and issued 150,000 shares for a consideration of S\$0.10 per share, all of which had been settled and fully paid up. Of the shares issued on 10 May 2006, STSS Resources held 250,000 shares on trust for the benefit of Mr. Tay and 100,000 shares on trust for the benefit of Mr. Wong. Shihlin (313) held all 150,000 shares on trust for the benefit of Mr. Wong. On 15 May 2006, STSS Resources transferred 250,000 shares to Mr. Tay and 100,000 shares to Mr. Wong at nil consideration and Shihlin (313) transferred 150,000 shares to Mr. Wong at nil consideration. On 16 June 2010, each of Mr. Tay and Mr. Wong was allotted and issued 250,000 shares at a consideration of S\$0.10 per share, all of which had been settled and fully paid up. On 18 April 2018, each of Mr. Tay and Mr. Wong paid up the outstanding S\$50 on their respective shares, resulting in an increase in the paid up share capital of Umami from S\$100,000 to S\$100,100. There had been no further change in the share capital of Umami since.

Immediately before the Reorganisation, Umami had an issued and paid up share capital of S\$100,100 divided into 1,001,000 shares of S\$0.10 each, of which 50% is owned by Mr. Tay and 50% by Mr. Wong. Pursuant to the Reorganisation, Umami became an indirect wholly-owned subsidiary of our Company.

Umami engages in the principal activities of retail of food and beverage.

STSS Resources Pte. Ltd.

STSS Resources was incorporated as an exempt private company limited by shares in Singapore on 1 December 2005 with an issued share capital of S\$1 divided into 20 shares of S\$0.05 each fully paid. At the time of incorporation, each of Mr. Tay and Mr. Wong was allotted and issued 10 shares at the subscription price of S\$0.05 per share fully paid. There had been no further change in the share capital of STSS Resources since.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Immediately before the Reorganisation, STSS Resources had an issued and paid up share capital of S\$1 divided into 20 shares of S\$0.05 each, of which 50% is owned by Mr. Tay and 50% by Mr. Wong. Pursuant to the Reorganisation, STSS Resources became an indirect wholly-owned subsidiary of our Company.

STSS Resources engages in the principal activities of wholesale of food and beverages and was engaged in retail of food and beverage during the Track Record Period.

Shihlin Taiwan Street Snacks (313) Pte. Ltd.

Shihlin (313) (formerly known as STSS Supplies Pte. Ltd.) was incorporated as an exempt private company limited by shares in Singapore on 1 December 2005 with an issued share capital of S\$1 divided into 20 shares of S\$0.05 each fully paid. At the time of incorporation, each of Mr. Tay and Mr. Wong was allotted and issued 10 shares at the subscription price of S\$0.05 per share fully paid. There had been no further change in the share capital of Shihlin (313) since.

Immediately before the Reorganisation, Shihlin (313) had an issued and paid up share capital of S\$1 divided into 20 shares of S\$0.05 each, of which 50% is owned by Mr. Tay and 50% by Mr. Wong. Pursuant to the Reorganisation, Shihlin (313) became an indirect wholly-owned subsidiary of our Company.

Shihlin (313) mainly engages in the principal activities of retail of food and beverage.

STSS Integrated Pte. Ltd.

STSS Integrated was incorporated as an exempt private company limited by shares in Singapore on 7 November 2007 with an issued share capital of S\$1 divided into 20 shares of S\$0.05 each fully paid. At the time of incorporation, each of Mr. Tay and Mr. Wong was allotted and issued 10 shares at the subscription price of S\$0.05 per share fully paid. There had been no further change in the share capital of STSS Integrated since.

Immediately before the Reorganisation, STSS Integrated had an issued and paid up share capital of S\$1 divided into 20 shares of S\$0.05 each, of which 50% is owned by Mr. Tay and 50% by Mr. Wong. Pursuant to the Reorganisation, STSS Integrated became an indirect wholly-owned subsidiary of our Company.

STSS Integrated mainly engages in the principal activities of wholesale of food and beverage.

Shihlin Taiwan Street Snacks (JP) Pte. Ltd.

Shihlin (JP) was incorporated as an exempt private company limited by shares in Singapore on 15 December 2011 with an issued share capital of S\$1 divided into 20 shares of S\$0.05 each fully paid. At the time of incorporation, each of Mr. Tay and Mr. Wong was allotted and issued 10 shares fully paid at the subscription price of S\$0.05 per share fully paid. There had been no further change in the share capital of Shihlin (JP) since.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Immediately before the Reorganisation, Shihlin (JP) had an issued and paid up share capital of S\$1 divided into 20 shares of S\$0.05 each, of which 50% is owned by Mr. Tay and 50% by Mr. Wong. Pursuant to the Reorganisation, Shihlin (JP) became an indirect wholly-owned subsidiary of our Company.

Shihlin (JP) mainly engages in the principal activities of the retail of food and beverage.

Shihlin Taiwan Street Snacks (TM) Pte. Ltd.

Shihlin (TM) was incorporated as an exempt private company limited by shares in Singapore on 26 June 2012 with an issued share capital of S\$1 divided into 20 shares of S\$0.05 each fully paid. At the time of incorporation, each of Mr. Tay and Mr. Wong was allotted and issued 10 shares fully paid at the subscription price of S\$0.05 per share fully paid. There had been no further change in the share capital of Shihlin (TM) since.

Immediately before the Reorganisation, Shihlin (TM) had an issued and paid up share capital of S\$1 divided into 20 shares of S\$0.05 each, of which 50% is owned by Mr. Tay and 50% by Mr. Wong. Pursuant to the Reorganisation, Shihlin (TM) became an indirect wholly-owned subsidiary of our Company.

Shihlin (TM) mainly engages in the principal activities of retail of food and beverage.

Shihlin Taiwan Street Snacks (HF) Pte. Ltd.

Shihlin (HF) was incorporated as an exempt private company limited by shares in Singapore on 1 April 2013 with an issued share capital of S\$1 divided into 20 shares of S\$0.05 each fully paid. At the time of incorporation, each of Mr. Tay and Mr. Wong was allotted and issued 10 shares at the subscription price of S\$0.05 per share fully paid. There had been no further change in the share capital of Shihlin (HF) since.

Immediately before the Reorganisation, Shihlin (HF) had an issued and paid up share capital of S\$1 divided into 20 shares of S\$0.05 each, of which 50% is owned by Mr. Tay and 50% by Mr. Wong. Pursuant to the Reorganisation, Shihlin (HF) became an indirect wholly-owned subsidiary of our Company.

Shihlin (HF) mainly engages in the principal activities of retail of food and beverage.

Shihlin Taiwan Street Snacks (NP) Pte. Ltd.

Shihlin (NP) was incorporated as an exempt private company limited by shares in Singapore on 22 June 2015 with an issued share capital of S\$1 divided into 20 shares of S\$0.05 each fully paid. At the time of incorporation, each of Mr. Tay and Mr. Wong was allotted and issued 10 shares at the subscription price of S\$0.05 per share fully paid. There had been no further change in the share capital of Shihlin (NP) since.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Immediately before the Reorganisation, Shihlin (NP) had an issued and paid up share capital of S\$1.00 divided into 20 shares of S\$0.05 each, of which 50% is owned by Mr. Tay and 50% by Mr. Wong. Pursuant to the Reorganisation, Shihlin (NP) became an indirect wholly-owned subsidiary of our Company.

Shihlin (NP) mainly engages in the principal activities of retail of food and beverage.

STSS IP Pte. Ltd.

STSS IP was incorporated as an exempt private company limited by shares in Singapore on 25 February 2018 with an issued share capital of S\$1 divided into 20 shares of S\$0.05 each fully paid. At the time of incorporation, each of Mr. Tay and Mr. Wong was allotted and issued 10 shares at the subscription price of S\$0.05 per share fully paid. There had been no further change in the share capital of STSS IP since. STSS IP is the holding company of our Group's intellectual properties and mainly engages in the licensing of intellectual properties.

Immediately before the Reorganisation, STSS IP had an issued and paid up share capital of S\$1.00 divided into 20 shares of S\$0.05 each, of which 50% is owned by Mr. Tay and 50% by Mr. Wong. Pursuant to the Reorganisation, STSS IP became an indirect wholly-owned subsidiary of our Company.

STSS Concepts Sdn. Bhd.

STSS Concepts was incorporated as a private company limited by shares in Malaysia on 20 June 2008 with an issued share capital of MYR2 divided into 2 shares of MYR1 each. At the time of incorporation, each of Mr. Tay and Mr. Wong was allotted and issued 1 share at the subscription price of MYR1 per share. On 17 December 2012, STSS Company allotted and issued 99,999 shares to each of Mr. Tay and Mr. Wong for a consideration of MYR1 per share. On 19 April 2018, STSS Concepts allotted and issued 400,000 shares to each of Mr. Tay and Mr. Wong for a consideration of MYR1 per share. On 3 May 2018, Mr. Tay and Mr. Wong transferred all of their shares to STSS Company for a total consideration of MYR4,371,578.54, which were determined with reference to the net book value of STSS Concepts as at 31 March 2018. There had been no further change in the share capital of STSS Concepts since.

Immediately before the Reorganisation, STSS Concepts had an issued and paid up share capital of MYR1 million divided into 1 million shares of MYR1 each, of which 50% is owned by Mr. Tay and 50% by Mr. Wong. Pursuant to the Reorganisation, STSS Concepts became an indirect wholly-owned subsidiary of our Company.

STSS Concepts mainly engages in the principal activities of retail of food and beverage.

STSS Resources Sdn. Bhd.

STSS Resources (M) was incorporated as a private company limited by shares in Malaysia on 13 July 2012 with a total issued share capital of MYR2 divided into 2 shares of MYR1 each. At the time of incorporation, each of Mr. Tay and Mr. Wong was allotted and issued 1 share at the subscription price of MYR1 per share. On 19 April 2018, STSS Resources (M) allotted and issued 999,998 shares to STSS

HISTORY, REORGANISATION AND GROUP STRUCTURE

Concepts for a consideration of MYR1 per share. On 2 May 2018, Mr. Tay and Mr. Wong transferred all their shares to STSS Concepts for a total consideration of MYR5. There had been no further change in the share capital of STSS Resources (M) since.

Immediately before the Reorganisation, STSS Resources (M) had an issued and paid up share capital of MYR1 million divided into 1 million shares of MYR1 each, of which 99.9998% is owned by STSS Concepts, 0.0001% by Mr. Tay and 0.0001% by Mr. Wong. Pursuant to the Reorganisation, STSS Resources (M) became an indirect wholly-owned subsidiary of our Company.

STSS Resources (M) has ceased the operation of retail outlets since April 2018 and is currently mainly engaged in the principal activities of wholesale of food and beverage.

Controlling Shareholders' Confirmation

On 11 September 2018, in preparation for the Listing, Mr. Tay and Mr. Wong executed the Controlling Shareholders' Confirmation, pursuant to which Mr. Tay and Mr. Wong acknowledged and confirmed, among other things, that they have held their interest in, and collectively exercised their control over, the companies comprising our Group through their respective interests in those companies from time to time since they have become the shareholders of the respective companies comprising our Group. Pursuant to the Controlling Shareholders' Confirmation, Mr. Tay and Mr. Wong jointly confirmed that they will continue to be a group of controlling shareholders of our Company and act collectively in respect of the management, development and operations of our Group upon Listing until the Controlling Shareholders' Confirmation is terminated by any of them.

REORGANISATION

Incorporation of investment holding companies

Brilliant Stride, the holding company for our Controlling Shareholders

On 21 November 2017, Brilliant Stride was incorporated in the BVI with limited liability to act as the holding company for the collective interests of Mr. Tay and Mr. Wong in our Company.

Brilliant Stride is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1, of which one share was allotted and issued to each of Mr. Tay and Mr. Wong for cash at par on 9 January 2018. As at the Latest Practicable Date, Brilliant Stride was owned as to 50% by Mr. Tay and as to 50% by Mr. Wong.

Clever Steed, the intermediary holding company of the Operating Subsidiaries

On 22 November 2017, Clever Steed was incorporated in the BVI with limited liability to act as the intermediate holding company of our Company to hold the interests of the Operating Subsidiaries.

Clever Steed is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1, of which one share was allotted and issued to Brilliant Stride for cash at par on 13 February 2018.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Our Company, the ultimate holding company of our Group

For the purpose of the Listing, our Company was incorporated in the Cayman Islands on 2 February 2018 under the Companies Law as an exempted company with limited liability to act as the ultimate holding company of our Group.

At the time of incorporation, we have an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each. On 2 February 2018, the initial subscribing shareholder transferred one issued nil-paid Share to Brilliant Stride. Upon completion of the transfer, our Company became a wholly-owned subsidiary of Brilliant Stride.

Incorporation of STSS IP and acquisition of certain intellectual property rights (the “IP Rights”) by STSS IP

Prior to the Reorganisation, some of the IP Rights used by our Group were held by STSS Global IP, a partnership jointly owned by Mr. Tay and Mr. Wong. In preparation for the Listing, STSS IP was incorporated in Singapore on 25 February 2018. For details, please refer to the paragraph headed “Our principal operating subsidiaries — STSS IP Pte. Ltd.” in this section. On 19 March 2018, the IP Rights were assigned to STSS IP pursuant to a deed of assignment dated on the same day. Upon completion of the recordal of the change of ownership against the respective trade mark registers in Australia, Cambodia, Hong Kong, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, South Korea, the United States and Vietnam, STSS IP became the sole registered owner of the IP Rights.

Deregistration of certain entities

Interactivemedia AD

To streamline our corporate structure, on 25 February 2018, we filed a notice of cessation of business of Interactivemedia AD and Interactivemedia AD ceased registration since 26 February 2018. Prior to the deregistration, Interactivemedia AD was a sole proprietorship owned by STSS Company and was engaged in the provision of marketing related information technology services to our Group. The assets and liabilities of Interactivemedia AD had been transferred to our subsidiary, STSS Company, in February 2018. Our Directors confirmed that Interactivemedia AD (i) complied with all applicable rules, laws and regulations in all material respects during the Track Record Period and up to its cessation of business; and (ii) was not subject to any litigation, claims, disputes or proceedings prior to its cessation of business.

Shihlin Taiwan Street Snacks

STSS Company established a sole proprietorship, namely Shihlin Taiwan Street Snacks (“**STSS SP**”), on 29 May 2004, originally planned for the purpose of engaging advertising and promotion activities of our Group. To streamline our operations and corporate structure, on 25 February 2018, we filed a notice of cessation of business of STSS SP and STSS SP ceased registration since 26 February 2018. During the Track Record Period and up to 26 February 2018, STSS SP did not engage in any business operation. Since STSS SP did not maintain any assets or liabilities, there was no transfer of assets and liabilities to our Group. Our Directors confirmed that STSS SP (i) complied with all

HISTORY, REORGANISATION AND GROUP STRUCTURE

applicable rules, laws and regulations in all material respects during the Track Record Period and up to its cessation of business; and (ii) was not subject to any litigation, claims, disputes or proceedings prior to its cessation of business.

STSS (1U) SDN. BHD.

STSS (1U) was incorporated as a private company limited by shares in Malaysia on 29 June 2007 with an issued share capital of MYR2 divided into 2 shares of MYR1 each and held by Mr. Tay and Mr. Wong in equal shares. There had been no further change in the share capital of STSS (1U) since incorporation.

According to the STSS (1U)'s audit reports for the years ended 31 March 2017 and 2018 and the management accounts for the year ended 31 March 2019, it was profit making for the years ended 31 March 2018 and 2019 and recorded minimal loss for the year ended 31 March 2017 and recorded net assets position as at 31 March 2017, 2018 and 2019.

STSS (1U) is currently inactive and undergoing the process of being voluntarily wound up, which is expected to be completed in 2020, prior to cessation of operation of STSS (1U) in April 2018, it constituted one of our Operating Subsidiaries and engaged in the principal activities of retail of food and beverage. Given STSS (1U) operated only one Restaurant, in order to streamline our corporate structure, the operation of that Restaurant was taken over by STSS Concepts prior to the cessation of business of STSS (1U). Our Directors confirmed that STSS (1U) (i) complied with all applicable rules, laws and regulations in all material respects during the Track Record Period and up to its cessation of business; and (ii) was not subject to any litigation, claims, disputes or proceedings prior to its cessation of business.

Transfers of STSS Resources (M) and STSS Concepts

On 2 May 2018, Mr. Tay and Mr. Wong transferred all their shares in STSS Resources (M) to STSS Concepts for a total nominal consideration of MYR5. On 3 May 2018, Mr. Tay and Mr. Wong transferred all of their shares in STSS Concepts to STSS Company for a total consideration of MYR4,371,578.54, which were determined with reference to the net book value of STSS Concepts. Following the transfers, STSS Resources (M) became a direct wholly-owned subsidiary of STSS Concepts, which in turn became a direct wholly-owned subsidiary of STSS Company.

Acquisition of the Operating Subsidiaries by Clever Steed from Mr. Tay and Mr. Wong

Pursuant to various sale and purchase agreements dated 16 September 2019 entered into between Mr. Tay, Mr. Wong and Clever Steed, Mr. Tay and Mr. Wong transferred all their respective shareholdings in each of the Operating Subsidiaries (except STSS Resources (M) and STSS Concepts which are owned by STSS Company pursuant to the Reorganisation) to Clever Steed in consideration of Clever Steed allotting and issuing one share in the share capital of Clever Steed to Brilliant Stride (as nominee for Mr. Tay and Mr. Wong), credited as fully paid, for each transfer at the direction of Mr. Tay and Mr. Wong.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Acquisition of Clever Steed by our Company from Brilliant Stride

Pursuant to a sale and purchase agreement dated 23 September 2019 entered into between Brilliant Stride, Mr. Tay, Mr. Wong and our Company, Brilliant Stride transferred its entire shareholding interest in Clever Steed to our Company in consideration of our Company (i) allotting and issuing 99 Shares in its share capital to Brilliant Stride credited as fully paid; and (ii) crediting the one initial Share held by Brilliant Stride as fully paid.

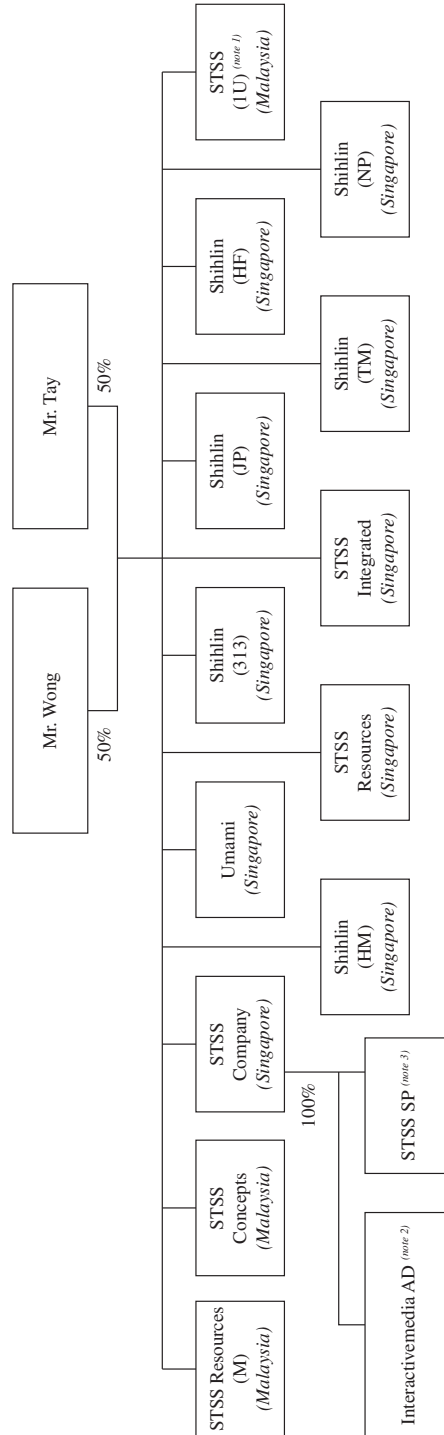
Compliance with applicable laws and regulations

Our Singapore Legal Advisers and Malaysia Legal Advisers confirmed that we have obtained the necessary approvals for effecting the Reorganisation from the relevant authorities in Singapore and Malaysia, respectively, and that the Reorganisation is in compliance with the applicable laws in Singapore and Malaysia, respectively.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Corporate and shareholding structure before the Reorganisation

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



Note 1: STSS (IU) is currently inactive and undergoing the process of being voluntarily wound up, which is expected to be completed in 2020.

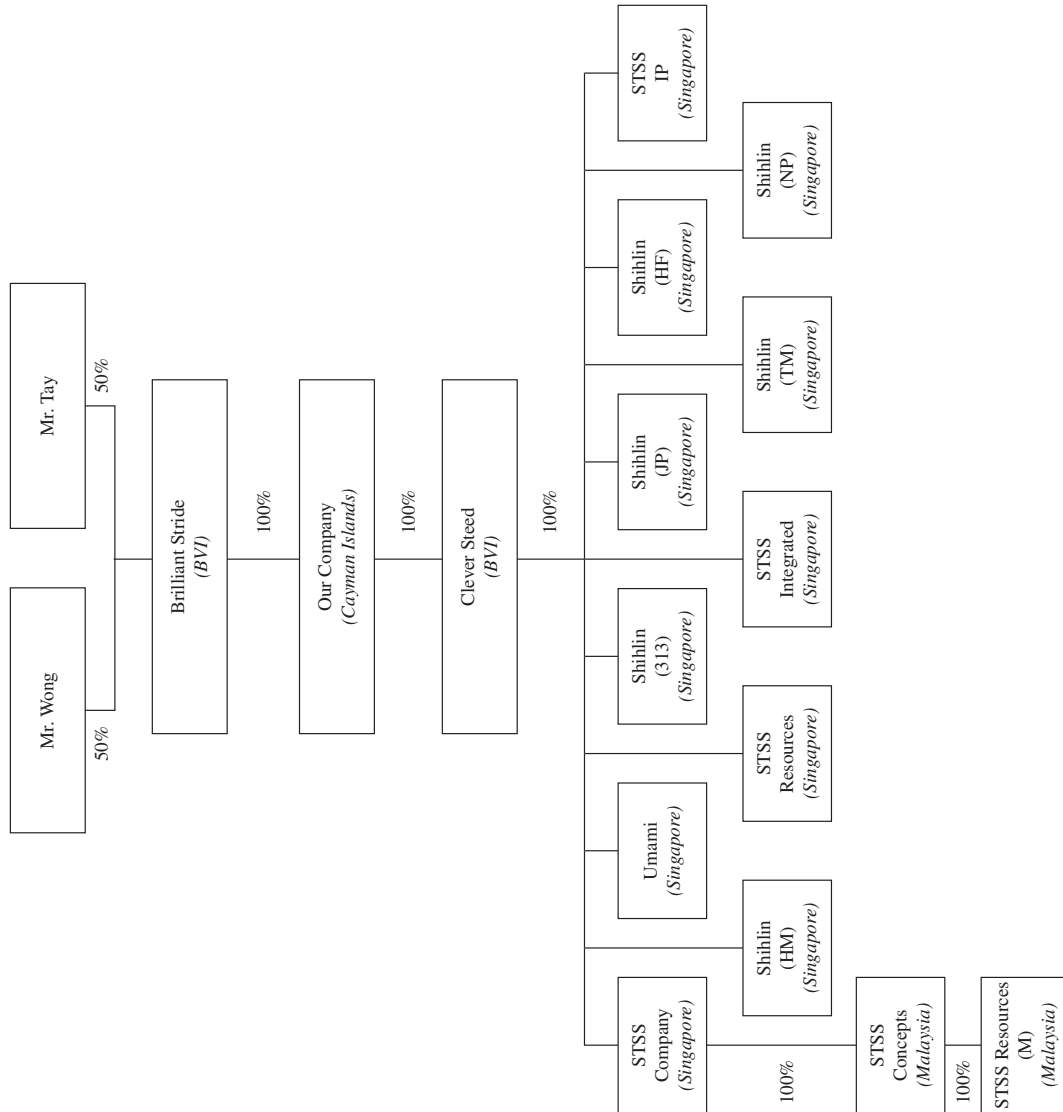
Note 2: On 25 February 2018, we filed a notice of cessation of business of Interactivemedia AD and Interactivemedia AD ceased registration since 26 February 2018.

Note 3: On 25 February 2018, we filed a notice of cessation of business of STSS SP and STSS SP ceased registration since 26 February 2018.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Corporate and shareholding structure after the Reorganisation

The corporate and shareholding structure of our Group immediately after completion of the Reorganisation but prior to the Capitalisation Issue and Share Offer is set forth as below:



HISTORY, REORGANISATION AND GROUP STRUCTURE

INCREASE OF AUTHORISED SHARE CAPITAL

On 23 September 2019, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,962,000,000 Shares.

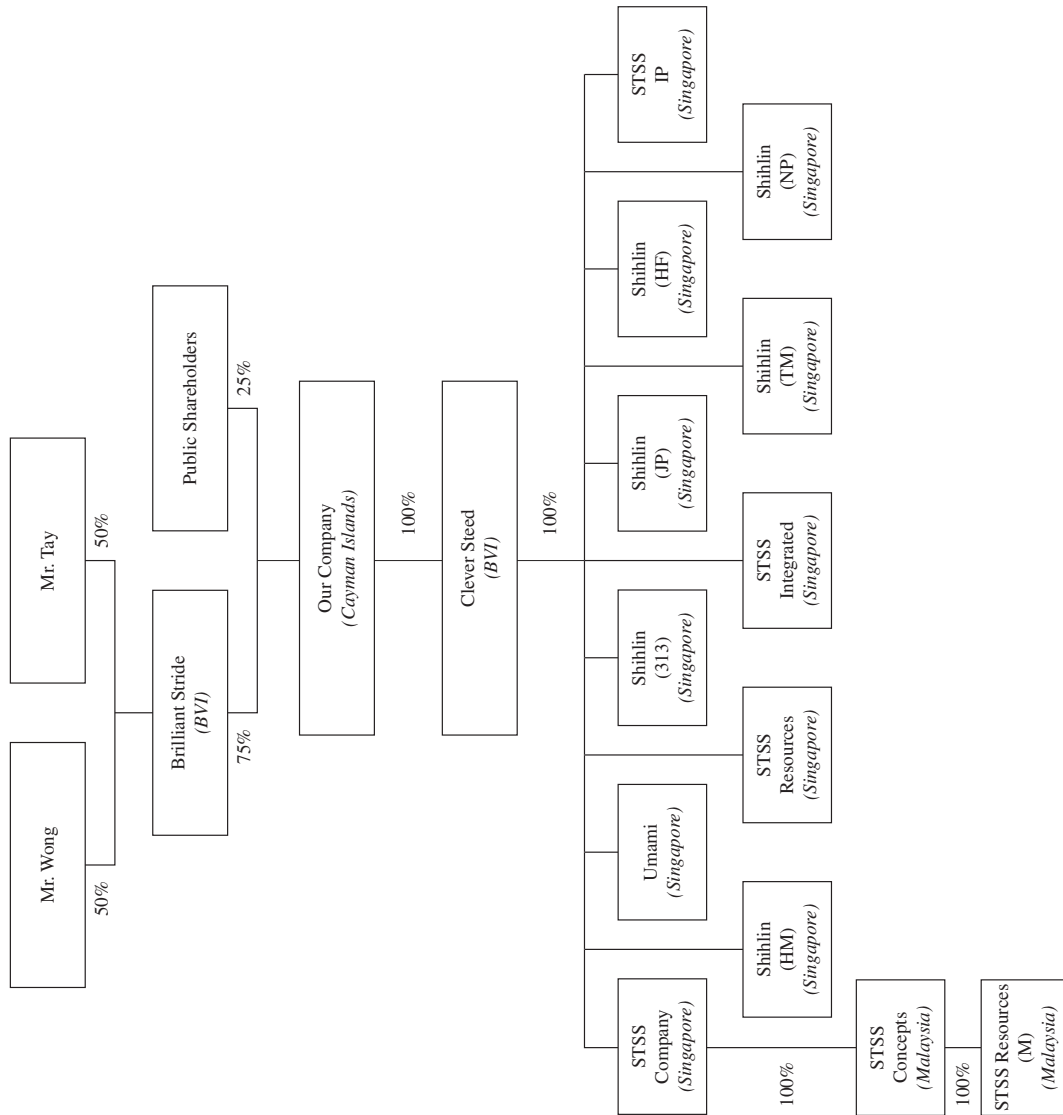
CAPITALISATION ISSUE

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, our Directors will be authorised to capitalise an amount of HK\$5,999,999 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 599,999,900 Shares for the allotment and issue to Brilliant Stride, being the sole Shareholder immediately prior to the Share Offer.

HISTORY, REORGANISATION AND GROUP STRUCTURE

CORPORATE STRUCTURE OF OUR GROUP

The corporate and shareholding structure of our Group immediately following completion of the Reorganisation, the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme) is set forth as below:



BUSINESS

OVERVIEW

We are a food and beverage group offering Taiwanese Snacks and Beverages under our *Shihlin Taiwan Street Snacks*® brand through a network of 228 Shihlin Outlets and Restaurants in Singapore, Malaysia, Indonesia and United States as at the Latest Practicable Date. As at the Latest Practicable Date, we had 228 Shihlin Outlets and Restaurants comprising (i) 15 Self-operated Outlets in Singapore; (ii) 14 Self-operated Restaurants in West Malaysia; (iii) two franchise Outlets in Singapore; (iv) three franchise Restaurants in Singapore; (v) three franchise Outlets in West Malaysia; (vi) 62 franchise Restaurants in West Malaysia; (vii) one franchise Outlet in East Malaysia; (viii) two franchise Restaurants in East Malaysia; (ix) 20 sub-licence Outlets in Indonesia; (x) 101 sub-licence Restaurants in Indonesia; (xi) three franchise Restaurants in Northern California; and (xii) two sub-franchise Restaurants in Northern California.

For FY2017, FY2018 and FY2019, we recorded total revenue of approximately S\$15.7 million, S\$18.6 million and S\$21.3 million, respectively. Our four sources of revenue included (i) sales via Self-operated Outlets and Restaurants to end consumers; (ii) sales of goods comprising mainly semi-processed food products and packaging materials to Franchisees and Licensee; (iii) Franchise Fees and Licence Fees; and (iv) advertising and promotion fees collected from our Franchisees in Singapore and West Malaysia.

Shihlin Outlets and Restaurants are operated under our brand adopting two basic models, namely (i) Self-operated model, being Shihlin Outlets and Restaurants operated by our Group; and (ii) franchise and licence model, being Shihlin Outlets and Restaurants which are operated by our Franchisees or Licensee or its sub-franchisees/sub-licensees. For FY2017, FY2018 and FY2019, we recorded total sales from our Self-operated Outlets and Restaurants of approximately S\$6.9 million, S\$8.6 million and S\$10.5 million, respectively, accounting for approximately 43.9%, 46.3% and 49.3% of the total revenue during the respective financial year. For FY2017, FY2018 and FY2019, revenue derived from our franchise/licence operation amounted to approximately S\$8.8 million, S\$10.0 million and S\$10.8 million, respectively, accounting for approximately 56.1%, 53.7% and 50.7% of the total revenue, respectively.

We offered a single-brand comprehensive product portfolio comprising two categories, namely (i) Snacks Products including XXL Crispy Chicken, Handmade Oyster Mee Sua, Sweet Plum Potato Fries, Seafood Tempura, Happy! Ricebox, Crispy Floss Egg Crepe, Sausage Cheese Egg Crepe and Mushroom Cheese Egg Crepe; and (ii) Beverages Products including Lemon Ai-Yu Jelly (with Honey), Honey Lemon Cooler, Winter Melon Tea, Smoked Plum Juice and our own range of bottled drinking water. Historically, all of our products were sold as A La Carte and since May 2017, we introduced Meal Combo, whereby selected items under our Snacks and Beverages were sold as a meal set and are offered at discounted prices as compared to the total price based on A La Carte purchases.

Save for food processing at our central kitchen in West Malaysia to support our Shihlin Outlets and Restaurants in Malaysia, we engage external food suppliers and food processing companies to process our Snacks and Beverages for Shihlin Outlets and Restaurants in Singapore and overseas. We also engage external logistics service providers for delivery of our food products from our warehouses to Shihlin Outlets and Restaurants.

COMPETITIVE STRENGTHS

We believe the following key competitive strengths are crucial and essential to our success and future growth:

Extensive Shihlin Outlets and Restaurants network with a growing international presence

We believe it is important to establish a broad sales network to capture a wide range of customers. Leveraging on our long history, market positions and brand recognition, we have successfully charted the course from a local pop-up store in Singapore to 228 Shihlin Outlets and Restaurants as at the Latest Practicable Date with international footprints spanning across Singapore, Malaysia, Indonesia and United States.

Singapore

Our Group was founded in Singapore with the opening of our first pop-up store in Singapore by our co-founders Mr. Tay and Mr. Wong in November 2003. As at the Latest Practicable Date, we had 15 Self-operated Outlets, two franchise Outlets and three franchise Restaurants within the city centre of Singapore and across Northern, Eastern and Western Singapore, all of which are strategically located in shopping malls, MRT stations or transport hubs. For FY2017, FY2018 and FY2019, revenue derived from Singapore amounted to approximately S\$6.0 million, S\$6.8 million and S\$7.4 million, respectively, representing approximately 38.1%, 36.7% and 34.9% of our total revenue during the respective year. We believe our 15 years of operating presence in Singapore has formed the solid base to support our international expansion.

Malaysia

Since the opening of our first Self-operated Restaurant in West Malaysia in October 2005 and the opening of our first Non-self-operated Restaurant in November 2006, we have expanded continuously. As at the Latest Practicable Date, we had a total of 82 Shihlin Outlets and Restaurants in Malaysia penetrating one Federal Territory, Kuala Lumpur, and nine states, namely, Johor, Kedah, Malacca, Negeri Sembilan, Pahang, Penang, Perak, Selangor and Sarawak. For FY2017, FY2018 and FY2019, revenue derived from Malaysia amounted to approximately S\$6.6 million, S\$8.3 million and S\$10.0 million, respectively, representing approximately 42.1%, 44.7% and 47.0% of our total revenue during the respective year. We believe our success in Malaysia is primarily attributable to our high brand recognition through our extensive presence. We expect the Malaysian market will continue to be one of the primary focus of our Group, contributing a stable source of revenue.

Indonesia

We have a strong presence in Indonesia through the licensing model with the Master Licensee under the Indonesia Master Licence Agreement with 20 sub-licence Outlets and 101 sub-licence Restaurants penetrating 20 cities, namely, Balikpapan, Bandung, Batam, Bekasi, Bogor, Cirebon, Depok, Jakarta, Jambi, Lampung, Makassar, Medan, Palembang, Pekanbaru, Pontianak, Semarang, Singkawang, Surabaya, Tangerang and Yogyakarta as at the Latest Practicable Date, all of which were established or operated pursuant to the Indonesia Master Licence. We believe our success in the Indonesian market is primarily attributable to our established business relationship of over 12 years with our experienced

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Master Licensee. For FY2017, FY2018 and FY2019, revenue derived from Indonesia amounted to approximately S\$2.9 million, S\$3.0 million and S\$3.5 million, respectively, representing approximately 18.4%, 16.2% and 16.3% of our total revenue during the respective year.

United States

From FY2017, we have further expanded our geographic coverage through the opening of three franchise Restaurants and two sub-franchise Restaurants in Northern California up to the Latest Practicable Date pursuant to the Northern California Master Franchise. For FY2017, FY2018 and FY2019, revenue derived from the United States amounted to approximately S\$0.2 million, S\$0.4 million and S\$0.4 million, respectively, representing approximately 1.2%, 2.3% and 1.7% of our total revenue during the respective year. We believe there is extensive growth potential in the United States for our Group in view of the popularity of the fast food culture and quality and uniqueness of our Snacks and Beverages.

We believe we have taken full advantage of our Shihlin Outlets and Restaurants network and geographical advantages to make available our products to a broad range of consumers in different countries. Our Directors consider that our extensive Shihlin Outlets and Restaurants network coverage is difficult to replicate and provides us with a competitive advantage and minimises our reliance on a single Outlet/Restaurant.

Multiple revenue stream promoting operational efficiency, cost-effective growth and strengthened financial position

We believe our business model encompassing various distribution channels enabled us to enjoy the following benefits and synergies:

- ***Multiple revenue stream:*** Our business model provides our Group with multiple sources of revenue, including (i) sales via Self-operated Outlets and Restaurants to end consumers; (ii) sales of goods comprising mainly beverages, food products and packaging materials to Franchisees and Licensee; (iii) Franchise Fees and Licence Fees; and (iv) advertising and promotion fees collected from our Franchisees in Singapore and West Malaysia.
- ***Management and operational efficiency:*** Management and operations of Non-self-operated Outlets and Restaurants are delegated to third party operators who have personal incentives to monitor the business operations and sales performance of such Non-self-operated Outlets and Restaurants, thereby reducing the management and operational costs of our Group while promoting efficient management and operational decisions. In addition, our Group is able to leverage on the experience, knowledge and intelligence of our East Malaysia Master Franchisee, Northern California Master Franchisee and Master Licensee in relation to local markets.
- ***Cost-effective growth:*** As at the Latest Practicable Date, we had 29 Self-operated Outlets and Restaurants and 199 Non-self-operated Outlets and Restaurants. The franchise/licence model equips our Group with the ability to expand our Shihlin Outlets and Restaurants network rapidly at no capital investments and ongoing operating expenses, thereby extending our

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geographic reach and enhancing our international presence and brand awareness. With the opening of Non-self-operated Outlets and/or Restaurants at no adverse impact on our working capital, we are able to expand our business operations cost effectively.

We believe our business model coupled with our established relationships with our Franchisees and Licensee have played a significant role in increasing our market recognition and strengthening our market position and will continue to facilitate our business growth.

Replicable and scalable model, enabling efficient and systematic opening of new Self-operated Outlets and Restaurants

We believe our infrastructure, including our management systems and organised step-by-step outlet development procedures, facilitates the replication and opening of new Self-operated Outlets and Restaurants.

Each of our Self-operated Outlets and Restaurants utilises standard display fixtures with flexible arrangement and design options to enable us to replicate our Self-operated Outlet or Restaurant at new premises of various sizes and dimensions. To standardise our operations, we have adopted and implemented a management system comprising structured policies and procedures for procurement management, inventory management, logistics and operations. Our centralised management strategy enhances our operational capabilities and enables us to exercise a high degree of control over our Self-operated Outlets and Restaurants. Leveraging on our capabilities and established management systems, we have been able to expedite new Self-operated Outlet and Restaurant development while ensuring consistent management and operations at our Self-operated Outlets and Restaurants.

Well-recognised Snacks Products and well recognised brand image

We are a food and beverage group offering Taiwanese Snacks and Beverages. Our Core Menu includes our all time favourites such as the XXL Crispy Chicken, Handmade Oyster Mee Sua, Seafood Tempura and the Happy! Ricebox, each with over 10 years presence and continued to be one of our popular Snacks Products as at the Latest Practicable Date. We believe our authentic Taiwanese flavours appeal to a wide range of customers across different countries, differentiating us from our competitors while enabling us to tap into consumer tastes and preferences across various markets to attract and develop a sizable and loyal customer base. We believe our Core Menu will continue to be favoured by consumers for its unique flavours. In general, we strive to launch a new product every three to six months.

In addition, we attribute our success to our distinctive marketing strategies which position *Shihlin Taiwan Street Snacks*[®] brand as everybody's favourite Taiwanese food chain featuring popular snacks from the alleys of Taiwan's night markets with a vision of introducing quality and authentic Taiwanese Snacks and Beverages in the fast food industry. We adopt tailored and creative marketing strategies and utilise various traditional and new media channels to effectively reach our customers and increase our brand awareness.

We believe our well-recognised brand image and reputation will enable us to continue to solidify our market share in the industry and capitalise on growth opportunities in the markets where we have a presence.

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Visionary management team with proven execution capabilities

We have an experienced and visionary management team that possesses extensive knowledge of our industry, strives for the best quality and effectively promotes our brand and products. Our proven track record of marketing, branding and operational strategies envisioned and undertaken by our management team illustrates our success in growing our customer base, and in turn our total revenue. Over the years, our management team has established a sound corporate management system to support sustainable growth. Our senior management team has led the transformation from a pop-up store to our current scalable business model of 228 Shihlin Outlets and Restaurants as at the Latest Practicable Date and growing.

We will continue to capitalise on the industry expertise, professional management skills and strong capability of our senior management team, and successfully formulate and implement our development strategies in the industry where we operate.

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Our principal business objective is to further solidify our market position as an established food and beverage group with international footprint and to create long-term Shareholder's value. Our Group relies on the opening of new Self-operated Outlets and Restaurants as our primary means to grow our overall revenue and profit and capture the market demand. Our Group's growth strategy is to expand through a mix of Self-operated Outlets and Restaurants and Non-self-operated Outlets and Restaurants. This allows us to expand our network in a cost-effective manner while managing risks and maximising profit. While the Non-self-operated model allows us to expand our network with less capital and reduces risks for our Company, the gross profit margin of our franchising and licensing business was generally lower than that of our Self-operated Outlets and Restaurants. During the Track Record Period, the gross profit margins of our franchising and licensing business ranged from around 45.3% to 52.6%, while the gross profit margin of our Self-operated Outlets and Restaurants ranged from around 66.4% to 67.4%. In order to optimise risks and return, our Group intends to diversify our expansion strategy and expand via Self-operated Outlets and Restaurants in familiar territories, being Singapore and West Malaysia while expanding via Non-self-operated Outlets and Restaurants in other territories. In addition, our Self-operated Outlets and Restaurants can serve as showcase of our Snacks and Beverages and our outlet operation so as to attract prospective franchisees and licensees. To enhance the business reputation of our brand *Shihlin Taiwan Street Snacks*[®], our Directors believe that the most appropriate approach would be to enhance customers' experience by establishing Self-operated Outlets and Restaurants with good image and good quality of products and services. To this end, we intend to expand our network and market share through the following business strategies:

Expand our Self-operated Outlets and Restaurants network

We have devoted substantial resources in establishing and maintaining an effective Shihlin Outlets and Restaurants network and we believe continuous expansion of our Self-operated Outlets and Restaurants network will develop a solid foundation for sustained future growth. After the Listing, we intend to apply approximately S\$3.5 million, representing approximately 22.2% of the net proceeds from the Share Offer to open 16 Self-operated Outlets in Singapore and approximately S\$2.6 million, representing approximately 16.5% of the net proceeds from the Share Offer to open 20 Self-operated Restaurants in West Malaysia, excluding the Self-operated Outlet opened subsequent to the Track Record Period and up to the Latest Practicable Date, by 31 March 2024, subject to prevailing market

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condition and demand and our Group's overall business development strategy. Besides, it is our intention to continue to open Self-operated Outlets and Restaurants using our internal resources. Having considered the historical openings, it is expected that we will open one Self-operated Outlet in Singapore and two Self-operated Restaurants in West Malaysia annually using our internal resources.

Leveraging our replicable and scalable business model, we plan to expand our Self-operated Outlets and Restaurants network using the net proceeds from the Share Offer. Our planned initiatives include the following:

- ***Expand our geographic coverage in West Malaysia:*** Taking into account the diversified demographics in West Malaysia, we plan to further expand our footprint in West Malaysia by strategically replicating our Self-operated Restaurants into new locations in West Malaysia that are not within our existing Self-operated Restaurants network, such as at or nearby train stations, airport and cruise terminal. Subject to prevailing market conditions and environment, we currently plan to open 20 new Self-operated Restaurants in West Malaysia by 31 March 2024, being around two new restaurants from the Latest Practicable Date up to 31 March 2020, five new restaurants in each of the three years ending 31 March 2021, 2022 and 2023 and three new restaurants for the year ending 31 March 2024. In choosing the premises for our new Self-operated Restaurants in West Malaysia, we plan to adhere to our site selection criteria to ensure that the chosen premises is compatible with our expansion plans. In general, we will focus on opportunities in affluent regions with high population densities and strategic locations that can provide high pedestrian traffic.
- ***Deepen market penetration in Singapore:*** We plan to increase the number of our Self-operated Outlets with the expected opening of 16 new Self-Operated Outlets in Singapore by 31 March 2024, being around two new outlets from the Latest Practicable Date up to 31 March 2020, four new outlets in each of the three years ending 31 March 2021, 2022 and 2023 and two new outlets for the year ending 31 March 2024 to further deepen our market penetration. Since our Self-operated Outlets and Restaurant offer self-serviced casual dining, they only target at customers in the vicinity of the outlets. Therefore, we need to open more outlets to reach out to customers in different areas. In particular, we plan to open new Self-operated Outlets in areas with high pedestrian traffic, such as transport hubs, commercial complexes and shopping malls.

We opened or took over a total of eight Self-operated Outlets in Singapore and nine Self-operated Restaurants in West Malaysia during the Track Record Period and up to the Latest Practicable Date. The expansion rate of our Self-operated Outlets and Restaurants network in Singapore and West Malaysia historically was relatively slow because we adopted a conservative strategy. Being a private entity, we largely rely on internally generated funds to finance our operations and expansion, and the fund-raising channels available to us are limited to primarily our Shareholders and bank loans which require personal guarantees from our Shareholders as we do not possess any material assets for security purposes. For details, please refer to the section headed "Future Plans and Use of Proceeds — Reasons for the Listing and the Share Offer — Commercial rationale for the Listing" of this prospectus. Therefore, being a private entity with limited resources, we are more risk averse and chose to expand slowly. Since it is difficult for us to obtain external funding as a private entity, we maintained a relatively higher level of cash and cash equivalents available for our operations in order to cater for urgent cash needs of our Group and in case of unforeseen unfavourable conditions that may affect our cash receipt. It should be

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noted that our net cash level of approximately S\$5.8 million as at 31 July 2019, after deducting the amount payable to Directors prior to Listing of approximately S\$0.5 million and payment of the declared dividend of S\$1.0 million is only equivalent to approximately three months of our average operating expenses (including cost of food and beverages, cost of packaging materials, selling and distribution expenses, administrative expenses (excluding Listing expenses), finance cost and income tax expenses) for FY2019.

In order to expand our Self-operated Outlets and Restaurants network at a faster pace, besides the funds required to pay for the initial set-up costs of the Outlets and/or Restaurants, we also need to hire more operations staff to oversee and supervise the set-up works and the ongoing operations of the Outlets and/or Restaurants. Also, we need to escalate our marketing initiatives to promote our brand in order to entice sufficient consumer demand for our products. As at the Latest Practicable Date, we only had two and three operations staff who were dedicated to oversee our entire Self-operated Outlets and Restaurants in Singapore and Malaysia, respectively, and we only had two and four sales and marketing staff in Singapore and Malaysia, respectively to execute our marketing and promotional initiatives.

With the improvement in the financial strength from the Share Offer and the benefits brought about by the Listing status, including access to the capital market, easier to obtain debt financing with more favourable commercial terms and enhanced corporate profile and brand image, we believe our competitiveness would be enhanced after the Listing and that we would be well positioned to adopt a more aggressive strategy for our expansion plan.

We believe the expansion plan of our Self-operated Outlets and Restaurants network is reasonable and feasible and there is room for further expansion in West Malaysia and Singapore because:

- (i) while we currently cover many shopping malls in West Malaysia and Singapore, our Directors consider there are still plenty of room for expanding our footprint in locations other than shopping malls, including transport hubs, transportation locations (such as train stations, airport and cruise terminal) and institutions of higher learning. As there are numerous transport hubs (comprising bus and/or train and/or retail etc) opening (for example, it is expected that one integrated transport hub will be opened in each of the location of namely Bidadari by the end of 2019, Buangkok by the end of 2022 and Punggol North by the end of 2023, respectively), this gives us ample opportunity to open near to or inside the hubs. During the Track Record Period, all of our five Self-operated Restaurants/Outlets that were located at transport hub and transport locations in Singapore, namely Self-operated Outlet G, Self-operated Outlet H, Self-operated Outlet K, Self-operated Outlet L and Self-operated Outlet N were profit-making during the Track Record Period and among which, those that commenced operations in the Track Record Period, namely Self-operated Outlet K, Self-operated Outlet L and Self-operated Outlet N, recorded relatively short breakeven and investment payback periods. Moreover, in West Malaysia, all of the Self-operated Restaurants that we operated during the Track Record Period were profit-making during such periods and the same store revenue growth of our existing Self-operated Restaurants opened prior to the Track Record Period were satisfactory at approximately 0.6% between FY2017 and FY2018 and approximately 12.7% between FY2018 and FY2019. Further, according to the Frost & Sullivan Report, breakeven period of store opening for the fast food industry in Singapore in 2018 ranged from two to three months while payback period ranged from 25 months to 33 months, and breakeven period of store opening for the fast food industry in Malaysia in 2018

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ranged from two to three months while payback period ranged from 18 months to 36 months. Thus, the breakeven and investment payback periods of all our Self-operated Outlets and Restaurants opened during the Track Record Period and the period from the date of opening to the Latest Practicable Date of Self-operated Outlet M in Singapore and Self-operated Restaurant M in West Malaysia, which have not achieved investment payback, were within or shorter than such ranges. This illustrates our Group's ability to identify suitable and profitable locations for opening new Restaurants and Outlets. Hence, we are confident that it is viable to continue our strategy of expanding our footprint in shopping malls and other locations, such as transport hubs and transportation locations;

- (ii) historically, our Group has mainly expanded our network by opening Self-operated Outlets in Singapore and Self-operated Restaurants in Malaysia. Given the relatively higher rental rates in Singapore, it is less commercially viable to rent bigger premises, therefore, our Directors opt to expand our network in Singapore by opening Self-operated Outlets. On the other hand, the lower rental rates enable us to rent bigger premises in Malaysia, our Directors therefore opt to expand our network in Malaysia by opening Self-operated Restaurants;
- (iii) according to the Frost & Sullivan Report, although the market size of fast food sector in Singapore grew at a relatively low CAGR of approximately 4.8% during 2014 to 2018, sales of the Shihlin Outlets and Restaurants in Singapore only accounted for approximately 0.6% of total fast food market in terms of transaction amount in Singapore in 2018 and we only had 20 Shihlin Outlets and Restaurants in Singapore as compared to a total of 543 outlets for the top five market players and 135 outlets for the largest market player as at the Latest Practicable Date. Accordingly, our Directors consider there is room for consolidating market share of other market players by opening more Shihlin Outlets in selected locations;
- (iv) while our 15 Self-operated Outlets, two franchise Outlets and three franchise Restaurants in Singapore are spread across different shopping malls, transport hubs and transportation locations in various parts of Singapore, our Directors are of the view that we can further solidify our presence to expand our market share and to capture further opportunities arising from existing shopping malls, transport hubs and transportation locations where we do not currently have a presence, as well as from new shopping malls and/or transportation developments. Currently, there are approximately 25 locations such as shopping malls, institutions of higher learning and other prime locations (e.g. train stations, transport hubs or other areas with heavy pedestrian traffic) in Singapore that our Directors have identified as potential premises for our new Self-operated Outlets. Among these 25 locations, we have expressed our interest to the landlords of 18 locations and we have followed up with the landlords through active discussion from time to time. Accordingly, our Directors considered our expansion plan to establish two Self-operated Outlets from the Latest Practicable Date up to 31 March 2020, four Self-operated Outlets in each of the three years ending 31 March 2021, 2022 and 2023 and two Self-operated Outlets for the year ending 31 March 2024 in Singapore using the net proceeds from the Share Offer feasible, despite we have not entered into any formal contracts for any premises as at the Latest Practicable Date;
- (v) while the market size of fast food sector in Malaysia grew at a CAGR of 6.8% during 2014 to 2018, sales at the Shihlin Outlets and Restaurants in Malaysia only accounted for approximately 0.9% of total fast food market in terms of transaction amount in Malaysia in

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2018 and we only had 79 Shihlin Outlets and Restaurants in West Malaysia as compared to a total of 1,477 outlets for the top five market players and 771 outlets for the largest market player as at the Latest Practicable Date. Accordingly, our Directors consider there is room for consolidating market share of other market players by opening Shihlin Restaurants in selected locations;

- (vi) while our 14 Self-operated Restaurants, four franchise Outlets and 64 franchise Restaurants in Malaysia are spread across one Federal Territory and nine different states in Malaysia, including eight states in West Malaysia, our Directors are of the view that we can further strengthen our presence to expand our market share and to capture further opportunities arising from existing shopping malls and/or transport hubs where we do not currently have presence, as well as from new shopping malls and/or transport hubs developments in West Malaysia. Currently, there are over 30 locations such as shopping malls and/or transport hubs in West Malaysia that our Directors have identified as potential premises for our new Self-operated Restaurants. Among these 30 locations, we have expressed our interest to the landlords of 19 locations and we have followed up with the landlords through active discussion from time to time. Accordingly, our Directors considered our expansion plan to establish 20 new Self-operated Restaurants in West Malaysia by 31 March 2024 using the net proceeds from the Share Offer with two new Self-operated Restaurants from the Latest Practicable Date up to 31 March 2020, five Self-operated Restaurants in each of the three years ending 31 March 2021, 2022 and 2023, and three Self-operated Restaurants for the year ending 31 March 2024 feasible, despite we have not entered into any formal contracts for any premises as at the Latest Practicable Date;
- (vii) the aforesaid identified locations for expansion in Singapore and West Malaysia are only meant for reference as to the options currently available to our Group. As the number of areas with high pedestrian traffic, such as new transport hubs, new commercial complexes and new shopping malls are expected to continue to grow over the next four years as the countries' economies continue to grow, according to Frost & Sullivan, our Directors are confident that the list of possible locations for expansion will continue to grow and there will be enough desirable locations to accommodate our Group's expansion plan over the next five years up to 31 March 2024;
- (viii) although the projected growth of the Asia fast food industry in Singapore and Malaysia is relatively small, given that we are only able to capture a small share of such markets, a modest increase in the growth of such markets can already substantially contribute to our business growth. Further, while we continued to open new Self-operated and Non-self-operated Outlets and Restaurants in Singapore and West Malaysia, the same store average daily revenue of our existing Self-operated Outlets and Restaurants opened prior to the Track Record Period in Singapore and West Malaysia increased from FY2018 to FY2019 by approximately 1.6% and 12.7%, respectively and the average monthly royalty income generated per Non-self-operated Restaurants in Malaysia also remained relatively stable during the Track Record Period. Further, as at the Latest Practicable Date, all of our Self-operated Outlets in Singapore and West Malaysia that opened or we took over from Franchisees during the Track Record Period have achieved breakeven within one to two months. These factors support our Directors' belief that there continues to be strong demand for our products;

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- (ix) during the Track Record Period and up to the Latest Practicable Date, we opened or took over a total of eight Self-operated Outlets in Singapore and nine Self-operated Restaurants in West Malaysia. Although the same store revenue growth of FY2017 to FY2018 and FY2018 to FY2019 of our existing Self-operated Outlets in Singapore opened prior to the Track Record Period and the same store revenue growth of FY2017 to FY2018 of our existing Self-operated Restaurants in West Malaysia were relatively low or negative, all of our Self-operated Outlets and Restaurants in Singapore and West Malaysia were profit making in each year of the Track Record Period other than Self-operated Outlet C which recorded negative operating margin in FY2017 and the total revenue generated from our Self-operated Outlets and Restaurants increased by approximately 24.3% in FY2018 and 22.2% in FY2019, hence the expansion of our Self-operated Outlets and Restaurants network brought positive financial impact to our Group as a whole. As the growth of individual stores may be affected by various factors such as competition, accessibility and customer traffic, our Directors believe opening more Self-operated Outlets in Singapore and Self-operated Restaurants in West Malaysia will enable our Group to enjoy economies of scale, which was evidenced by the decreases in average selling and distribution expenses and administrative expenses (excluding Listing expenses) per Self-operated Outlet/Restaurant from approximately S\$355,000 to S\$281,000 from FY2017 to FY2018 and further to approximately S\$278,000 for FY2019 as well as increasing our sources of revenue and reducing reliance on any single Self-operated Outlet/Restaurant. As such, we believe our proposed expansion plan to open 16 Self-operated Outlets in Singapore and 20 Self-operated Restaurants in West Malaysia using the net proceeds from the Share Offer will be beneficial to our Group as a whole; and
- (x) the growth of our retail business is expected not only to be driven by expected future growth in the industry as a whole, but to a significant extent by our competitive advantages of well-recognised Snacks Products and well recognised brand image. Our future growth is also expected to be driven by the benefits bring about by the Listing status and the improvement in the financial strength from the Share Offer. Our Directors believe that the Listing will strengthen our corporate profile and, together with our planned marketing initiatives after the Listing (as detailed below) and the plan to refurbish our existing Self-operated Outlets and Restaurants which will help upkeep our brand image, will increase the brand awareness of ***Shihlin Taiwan Street Snacks®***, which would improve our competitiveness, in turn allowing us to increase market share and capture future growth. Therefore, our historical growth rate may not be representative for our expected future growth after the Listing.

During the Track Record Period, our Group took over (i) three Non-self-operated Outlet(s)/Restaurant(s) in Singapore; and (ii) six Non-self-operated Outlet(s) and/or Restaurant(s) in West Malaysia as our Group was of the view that they would be profitable.

As at the Latest Practicable Date, we have not entered into contracts for the lease of any premises for the opening of the abovementioned planned Self-operated Outlets in Singapore and Self-operated Restaurants in West Malaysia. When a specific location is identified, we conduct feasibility studies which will consider factors such as (i) the profitability potential of the outlet, including the estimated breakeven period and investment payback period by projecting the outlet sales against the expected capital expenditure and operating expenses; (ii) feasibility of obtaining necessary licences; and (iii) potential competition with existing Shihlin Outlets and Restaurants in nearby area.

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Our Directors currently expect that the opening of new Self-operated Outlets and Restaurants will increase overall revenue. However, actual profitability may be affected by factors such as overall market conditions, which may change customers spending power. In addition, the opening of new Self-operated Outlets and Restaurants will incur additional costs for fixed assets and equipment, which will increase our overall depreciation expenses.

When we evaluate the performance of our new outlet/restaurant, we consider the breakeven period and the investment payback period. For further details of our investment payback and breakeven, please refer to the section headed “Business — Operating performance — Investment payback and breakeven” of this prospectus. We expect that the new Self-operated Outlets and Restaurants that we plan to open will have similar breakeven periods and investment payback periods as the Self-operated Outlets and Restaurants we opened during the Track Record Period.

Promote our Non-self-operated business

We will continue to rely on the franchise/licence model as our primary means to expand our international presence. Our Directors believe the franchise/licence model is more appropriate for overseas expansion taking into account, amongst others, the differences between the local markets and the Singapore and West Malaysia markets in which we operate in terms of demographics, local preferences, pricing strategies, and connections with local market participants such as landlords, local suppliers and logistics providers.

Our Directors have come to realise that our exposure and publicity is primarily limited to our presence in Singapore and our Directors considered such reliant and passive approach will hinder the development of our franchise/licence business internationally. As such, we intend to expand our international Non-self-operated business by actively promoting our brand through participation in overseas trade missions and franchise exhibitions as well as to set up a dedicated team to support the work relating thereto.

We intend to apply approximately S\$3.3 million, representing approximately 20.9% of the net proceeds from the Share Offer to promote our Non-self-operated business.

Existing Non-self-operated Outlets and Restaurants

As at the Latest Practicable Date, Shihlin Outlets and Restaurants were located in Singapore, Malaysia, Indonesia and the United States. During the Track Record Period, the organic growth of revenue from sales to our Franchisees and Licensee was mainly due to the expansion of Non-self-operated Outlets and Restaurants in existing countries instead of expansion into new countries via franchising/licensing model.

As at the Latest Practicable Date, we have entered into Franchise Agreements for the opening of franchise Outlet(s)/Restaurant(s) in Brunei and Egypt, respectively. To the best knowledge and information of our Directors, additional time is required by the Brunei Franchisee to open the first franchise Outlet/Restaurant in Brunei as the Brunei Franchisee requires time to formulate their Outlet(s)/Restaurant(s) opening strategy and to prepare for the pre-requisites, including obtaining relevant licences/permits. To the best knowledge of our Directors, it is expected that the first franchise Outlet/Restaurant in Brunei and Egypt will be opened by the end of March 2020.

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To the best knowledge of our Directors, many of our existing franchisees and licensee were either Singaporean or whom have or whose family has previously resided in Singapore or have family connections, such as Northern California Master Franchisee, Brunei Franchisee and Australia Master Franchisee, who became familiar with our brand through our Shihlin Outlets in Singapore. According to information provided by the Brunei Franchisee, he is working as a civil servant in Brunei, he is also helping out in his family's business, which engages in the automotive, poultry and real estate industry, and he possesses prior experience in the food and beverage industry since 2015. To the best knowledge of our Directors, our Master Licensee who was Indonesian who became interested in our Group during visits to Singapore while our Egypt Master Franchisee used to be a supplier of our Master Licensee.

Feasibility of international expansion of our Non-self-operated business operations

During the Track Record Period, we have received enquiries from prospective franchisees/licensees in a number of different countries including New Zealand, Vietnam, Cambodia, the United Kingdom, Sri Lanka, Thailand and Hong Kong. Our Directors are of the view that such enquiries are an indication of the broad suitability of the *Shihlin Taiwan Street Snacks*[®] brand in catering to the diverse preferences internationally. However, for each of such countries, our Group received from one to just a few enquiries per country. This is not surprising given that our Group had not actively sought them by regularly participating in trade missions and franchise exhibitions in these countries. Notwithstanding that we had enquiries from various countries, the low number of enquiries per country made it difficult for our Group to effectively convert the leads to become franchisees/licensees as not every lead can successfully be converted to franchisee/licensee, which our Directors believe was due to (i) our Group's slow reaction time to respond to enquiries from prospective franchisees/licensees, leading to their gradual loss of interest and momentum; and (ii) insufficient manpower of our Group to allocate and spend sufficient time on each and every prospective franchisees/licensees, therefore failing to give an impression to prospective franchisees/licensees that our Group was willing to invest time and money to understand and collaborate with them. Further, our Group noted that the countries from which we have received enquiries so far ranged from developed to developing countries, and from Asian to Western countries. Our Directors are of the view that this indicates our Group's brand can be accepted globally. Given the number of countries of prospective franchisees/licensees which may participate in trade missions and franchise exhibitions, our Directors are of the view that the number of indications of interest in franchising/licensing received by our Group from prospective franchisees/licensees from New Zealand, Vietnam, Cambodia, the United Kingdom, Sri Lanka, Thailand and Hong Kong in the past is insignificant compared to the many other countries where our Group may potentially secure franchisees/licensees.

Reasons for participation in trade missions and franchise exhibitions

Our Directors considered attending trade missions and franchise exhibitions a convenient way to introduce our Group to prospective franchisees and/or licensees in countries where we currently do not have a presence. Each year, over 50 trade missions and franchise exhibitions are organised and hosted globally. Trade missions refer to mission visits to network with overseas businesses to explore business opportunities while franchise exhibitions refer to events hosted by other countries for foreign businesses to explore business opportunities locally. Our Directors believe through the networking in the trade missions, we will be able to understand the local business environment and demographics and relevant regulatory environment while sharing business insights with other participants, which will assist our assessment of the countries in considering new franchise/licence. Franchise exhibitions are usually

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organised by established and recognised associations and represents an opportunity to meet with our targeted audience, being individuals or corporations who are interested in franchise and/or licence business which are financially healthy and possess food and beverage industry experience, and we believe attending franchise exhibitions in different countries enables our Group to reach out to a wider range of prospective franchisees or licensees. According to the Frost & Sullivan Report, it is an industry practice to seek franchising/licensing business opportunities through trade missions and franchise exhibitions.

We believe that with active participation in trade missions and franchise exhibitions and close follow-up by a dedicated trade mission team, it can increase our pace of growth by expanding into new countries via franchising/licensing. We also believe that with a public listing status, the associated credibility as a franchisor/licensor will be improved which will further enhance the effectiveness of our Group in securing new franchisees/licensees by participating in trade missions and franchise exhibitions.

Trade missions and franchise exhibitions participation in the past

In the past, we have participated in a trade mission in Tokyo organised by the Singapore Government and one franchise exhibition in each of Singapore, Bangkok and Seoul. However, we did not participate in any trade missions and franchise exhibitions during the Track Record Period given we did not have sufficient resources to organise the events and follow up thereafter.

The objectives of the trade mission in Japan were to familiarise our Group with business best practices and productivity initiatives in the food and beverage industry in Japan, and also to introduce and network with prospective food and beverage partners in Japan. Mr. Wong and Mr. Tay attended the trade mission in Japan and considered that our brand can be accepted by the Japanese market, but as our Group did not have a dedicated trade missions team, we did not have sufficient time and personnel to explore further opportunities through participation in an appropriate franchise exhibition in Japan in order to secure enquiries from interested parties. As to the three franchise exhibitions we have participated in, while some visitors at our booth at franchise exhibitions in Bangkok and Seoul expressed preliminary interests in opening a Non-self-operated Outlet or Restaurant, we were unable to close the leads which we believe our Group would have a higher chance of success if we have a dedicated trade mission team to follow-up on queries timely.

Non-self-operated business expansion targets

As an Asian concept, we will consider expansion into Asian markets, such as Japan, Hong Kong, China, Vietnam, Thailand, Philippines and South Korea. As at the Latest Practicable Date, we have received indications of interests in franchising/licensing from various parties for various countries/area, including New Zealand, Vietnam, Cambodia, the United Kingdom, Sri Lanka, Thailand and Hong Kong to open Shihlin Outlets and Restaurants. We target to enter into at least one country/area/state master franchise/licence agreement every two years and as many unit franchises as possible in the first two years after the Listing. Based on our past experience, unit franchises are more popular among potential franchisees/licensees as the entry requirements, such as investment costs, experience and knowledge required for unit franchise are relatively affordable as compared with country/area/state master franchise/licence agreement with higher upfront franchise/licence payment and more obligations to monitor the compliance of the sub-franchisees/sub-licensees. As such, we are optimistic that we will enter into unit franchises in two to three new countries per year. Furthermore, as each of our country/area/state master franchise/licence agreements is customised to suit the needs of individual markets, we believe it will

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take us longer time to secure a country/area/state master franchise/licence agreement. Notwithstanding, as our Group continues to actively participate in franchise exhibitions and trade missions throughout the years, we expect that the rate of closing the leads for new country/area/state master franchise/licence will pick up in the medium term when we have accumulated a large number of potential leads and as our reputation continues to be enhanced as a result of our continuous business growth. Further, with our Group's participation in numerous trade missions and franchise exhibitions, we also plan to help the master franchisees/licensees to expand their sub-franchise/sub-licence network by referring leads obtained during the trade missions and franchise exhibitions.

We normally do not impose an outlet opening plan on our Franchisees or Licensee in order to allow them flexibility in formulating their own business plans based on their strategies and local environment. Our Directors considered that the outlet opening rate of a new country/area/state master franchise will be largely dependent on local factors and the aggressiveness and initiatives of the franchisee's business plan. Taking into account of (i) the organic outlet opening rate during the Track Record Period; and (ii) the positive effect to be brought by the Listing and our marketing initiatives after the Listing, our Directors expect the number of Non-self-operated Outlets and Restaurants in Singapore and Malaysia will grow by around one to two and four to nine annually, respectively.

Application and eligibility to attend trade missions and franchise exhibitions

To the best knowledge and information of our Directors, all representatives of corporate entity are eligible to attend trade missions, which may be organised by the Singapore Government or private associations. Furthermore, most trade missions are organised on irregular basis and the objectives of each trade mission may vary. In most cases, notice of upcoming trade missions are usually advertised about one month before the event and interested parties may apply to the relevant organiser in accordance with the prescribed application, which varies based on the specific requirements of the organiser.

The application procedures to attend franchise exhibitions typically commence up to 12 months, prior to the date of event and the application typically involves submission of company details for assessment and payment of relevant application fees. To the best knowledge and information of our Directors, assessment of the trade missions and franchise exhibitions applications typically involves a review on the history, reputation of the application as well as previous participation in trade missions or franchise exhibitions. Our Directors believe we will be able to attend the interested trade missions or franchise exhibitions taking into account, among others, we have not been rejected by previous applications, we have successfully participated in various trade missions and franchise exhibitions, and our financial standing and brand awareness are expected to improve after the Listing.

Flow of the trade missions and franchise exhibitions

Based on our past experience in attending the Japan trade mission organised by the Singapore Government, trade missions generally take place over a period of three to five days. During the trade missions, participants will visit foreign countries and exchange experiences and share business insights. Furthermore, each trade mission is organised on a case-by-case basis with specific objectives and itinerary and details and arrangement may be different from previous trade missions held by the same organiser.

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Each franchise exhibition are typically held over three to five days although our team will stay for a longer period in order to follow up with potential franchisees/licensees. Throughout the franchise exhibition, we expect to receive numerous enquiries from participants and we need to ensure that we have sufficient staff to liaise with any interested visitors. We plan to station at least two staff at our booth during each franchise exhibition. Based on our past experience, we expect to meet hundreds of visitors at our booth during each franchise exhibition. Typically, we will give each of our visitors a brochure containing details of our Group and our franchise/licence model and our staff will obtain contact and preliminary details of interested visitors, which will be followed up by a meeting with our representative locally where possible. After the initial meeting, our representatives will invite interested parties to visit our Shihlin Outlets and/or Restaurants in Singapore or Malaysia who will be accompanied by a designated personnel until the signing of a letter of intent, followed by the signing of a franchise/licence agreement. Upon signing of a letter of intent, we will assist our franchisee/licensee in the preparation of a development plan including guidance on the typical procedures and matters to pay particular attention to. The entire process, commencing from the initial contact at the franchise exhibition up to the closure of leads vary depending on individual cases. For reference only, we took about three months from their initial enquiry to the signing of the letter of intent, one month to prepare the franchise development plan and a further four months to negotiate and finalise the Northern California Franchise Agreement.

Trade mission team

To assist our participation in trade missions and franchise exhibitions, we plan to set up a trade mission team comprising five new staff in Malaysia for the year ending 31 March 2021 and five new staff in Singapore for the year ending 31 March 2022, all with at least two years of relevant marketing and public relations experience. It is intended that the trade mission team will be primarily responsible for arranging, coordinating and preparing all matters in connection with the franchise exhibitions and trade missions, as well as following up and serving as the key point of contacts with prospective franchisees and/or licensees. Taking into account of the volume of work involved to (i) review and analyse the various trade missions and franchise exhibitions globally; (ii) review the local markets for assessing and considering the suitable trade missions or exhibitions for our Group to attend; (iii) prepare and organise the events; (iv) arrange staff to attend such and handle subsequent follow up liaisons; and (v) assist our marketing team to conduct market research on other countries, our Directors considered a designated trade mission team, who are able to engage in such work which requires frequent travelling on a full-time basis, is necessary.

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The following table sets forth the major cost items for the promotion plan:

	<i>S\$'000</i>
Staff cost:	
— Five new staff in Singapore	1,452
— Five new staff in West Malaysia	688
Trade missions and franchise exhibitions:	
— Participation fees and space rental	576
— Travelling and hotel accommodation	372
— Booth set up, printing and marketing	212
	3,300

Proposed trade missions and franchise exhibitions

Our plan is to attend as many franchise exhibitions and trade missions within the shortest period of time as possible to maximise the productivity of the designate trade mission team. We will consider the franchise exhibition participation and trade mission attendance primarily based on the suitability of such franchise exhibition or trade mission to our business, taking into consideration the capacity of our trade mission team, availability of other resources such as financial ability and business and market conditions as and at the relevant time, including scale of Non-self-operated business. We plan to actively attend on average 12 trade missions per year and on average 18 franchise exhibitions per year from 1 April 2020, taking into account the number of trade missions and franchise exhibitions organised and hosted globally each year that match our strategy. Through such active franchise exhibition and trade mission participation, we believe we can familiarise our Group with the different types of franchise exhibitions and trade mission to identify the appropriate ones for our Group to participate in and to meet as many potential franchisees/licensees as possible to increase our pool of potential franchisees/licensees and hence increase the likelihood of franchising/licensing. In considering which trade missions and franchise exhibitions to participate in, we will take into account, among others, the costs and budget for the event, the theme of the event, the target franchises/participants of the event, and the popularity of Asian and Taiwanese cuisine and local preferences.

Primarily, we plan to attend food and beverage industry related franchise exhibitions and trade missions. Nonetheless, we will also consider other franchise exhibitions and trade missions as franchise exhibitions will be open to individuals and corporate entities interested in franchising irrespective of industry while the objective of trade missions is to enable our Group to, among others, enhance our Group's corporate profile and to accumulate market knowledge and develop our extensive business network, which is not limited to food and beverage industry.

Taking into account of the indications of interests in franchising/licensing from prospective franchisees/licensees in New Zealand, Vietnam, Cambodia, the United Kingdom, Sri Lanka, Thailand and Hong Kong as at the Latest Practicable Date, our Directors will consider participating in trade missions and franchise exhibitions in these places over other trade missions and franchise exhibitions.

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Based on the current timetable, our trade mission team will participate in approximately 12 trade missions and 18 franchise exhibitions during the financial year ending 31 March 2021. Historically, March and October were peak seasons for franchise exhibitions, as such we plan to participate in four franchise exhibitions in October 2020 and five franchise exhibitions in March 2021 during the peak season, with the remaining nine franchise exhibitions to be held across the non-peak season.

Based on the schedule of the upcoming franchise exhibition, we plan to participate in the following franchise exhibitions during the year ending 31 March 2021:

Franchise exhibition	Country	Expected month/ year of event	Name of organiser	Expected frequency
China Franchise Expo	Beijing, PRC	April 2020	China Chain Store & Franchise Association/ MXJ	Yearly
Franchise Exhibition “Onderneern t”	Netherlands	April 2020	De Nationale Franchise Gids & Franchise+	Yearly
International Franchise Expo NYC	New York City, USA	May 2020	MFV Expositions	Yearly
Thailand Franchise & Business Opportunities	Bangkok, Thailand	July 2020	Kavin Intertrade	Yearly
China Franchise Expo	Shanghai, PRC	August 2020	China Chain Store & Franchise Association/ MXJ	Yearly
Melbourne Franchising & Business Opportunities Expo	Melbourne, Australia	August 2020	Specialised Events	Yearly
Franchise Expo West Los Angeles, USA	Los Angeles, USA	September 2020	MFV Expositions	Yearly
Be My Franchise Expo	Istanbul, Turkey	October 2020	Mediaforce	Yearly
Franchising & Licensing Asia	Singapore	October 2020	BizLink Exhibition Services Pte Ltd	Yearly
SALONE Franchising Milano	Milan, Italy	October 2020	RDS Expo & Campus Fandango Club	Yearly
Franchise Ceylon	Colombo, Sri Lanka	October 2020 <i>(Note)</i>	Spark Expo	Yearly
Vietnam International Retailtech & Franchise Show	Ho Chi Minh, Vietnam	November 2020	Coex/Retail & Franchise Asia/Vinexad	Yearly
Hong Kong International Franchising Show	Hong Kong	December 2020	Hong Kong Trade Development Council	Yearly
Taipei International Chain and Franchise Spring Exhibition	Taipei, Taiwan	March 2021	Association of Chain and Franchise Promotion, Taiwan	Yearly

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Franchise exhibition	Country	Expected month/ year of event	Name of organiser	Expected frequency
The National Franchise Exhibition NEC, Birmingham	Birmingham, UK	March 2021	Venture Marketing Group Limited	Yearly
Franchise Asia Philippines	Manila, Philippines	March 2021	Philippine Franchise Association	Yearly
Japan International Franchise Show	Tokyo, Japan	March 2021	Nikkei Inc.	Yearly
International Franchise Seoul COEX, Seoul	Seoul, South Korea	March 2021	Coex & Reed Exhibitions	Yearly

Note: The first Franchise Ceylon is scheduled to be held in October 2019, and we have assumed that the same will be held on a yearly basis for the current purpose.

As at the Latest Practicable Date, we did not have any definite plans on the trade missions as details of trade missions will generally only be available one month before the date of event. Currently, our Directors intend to participate in trade missions organised by the Singapore Government and private associations for food and beverage industry after the Listing.

For further details, please refer to the section headed “Future Plans and Use of Proceeds — Implementation plans” of this prospectus.

Refurbishment of our Self-operated Outlets and Restaurants

We are a fast-paced quick service concept with a mass market price, high volume strategy, and we operate throughout the day (unlike other restaurants which may close for certain hours during the afternoon). Due to our heavy usage of our Self-operated Outlets and Restaurants premises, we expect significant wear and tear generally within three years from commencement of operation. In order to maintain our Self-operated Outlets and Restaurants in good condition so as to uphold our brand image, we plan to refurbish our Self-operated Outlets and Restaurants around once every three years. In addition, as most of our Self-operated Outlets and Restaurants are situated within shopping malls, we are typically required by our landlords to refurbish our Self-operated Outlets and Restaurants as a condition to the renewal of our leases, which generally have an initial term of two to three years, in order to upkeep the outlets, continue to excite mall shoppers and to bring more footfall to the malls.

We plan to spend approximately S\$2.5 million, representing approximately 15.8% of the net proceeds from the Share Offer to refurbish around five Self-operated Outlets in Singapore and four Self-operated Restaurants in West Malaysia each year on average up to 31 March 2023.

Most of our Self-operated Outlets and Self-operated Restaurants have not been refurbished for around three years and we undertook refurbishment works at our Self-operated Outlets and Self-operated Restaurants on an as-required basis by landlords, or at such times as our Directors consider necessary taking into account of the availability of our financial resources, actual state of wear-and-tear and customer feedback. However, as we are a fast-paced quick service concept with a mass market price, high volume strategy and we operate throughout the day (unlike a restaurant with restricted opening

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times), our Directors believe that regular renovation would create higher customer interest and create a fresh feel and image for our customers. Following Listing, it is our intention to renovate at least once every three years or upon our renewal of the lease (whichever is the earlier).

With the enhanced cash from the net proceeds from the Share Offer, we plan to reduce the refurbishment cycle to approximately three years since last refurbishment with an overall objective for building and maintaining a clean and modern environment and for developing our corporate image through consistent design across our Self-operated Outlets and Restaurants network. We schedule our refurbishment work taking into consideration factors including the actual status of wear-and-tear, the renewal of tenancy, the availability of our financial resources, seasonality of sales, and negotiations with landlords. Usually we commit to the landlords to renovate within a certain period of time after the renewal of tenancies. We typically plan to renovate the Self-operated Outlets/Restaurants only during non-peak periods and will avoid renovating multiple Self-operated Outlets/Restaurants at one time. Also, the renovation plans and dates depend on negotiations with landlords and are subject to their approvals. Sometimes, they may request to coordinate our renovation time with neighbouring units.

The refurbishment works will comprise renovation and purchase of new equipment and fixtures, which is estimated to be approximately S\$80,000 per Self-operated Outlets in Singapore and approximately S\$55,000 per Self-operated Restaurants in West Malaysia, which were budgeted with reference to the historical cost of renovation and purchase of new equipment and fixtures for the opening of new Self-operated Outlets in Singapore. The following table sets forth the major cost items of the estimated cost of refurbishment works of each Outlet in Singapore and Restaurant in West Malaysia:

	Singapore <i>S\$'000</i>	West Malaysia <i>S\$'000</i>
Renovation	65	45
Purchase of equipment and fixtures	15	10
	80	55

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Subject to the renewal of the respective tenancy agreements, the table below sets out the proposed refurbishment schedule for our existing Self-operated Outlets and Self-operated Restaurants:

No.	Self-operated Outlet/Restaurant	Year opened/ takeover	Tenancy expiry date (mm/yy)	Most recent refurbishment	Estimated refurbishment
Singapore					
1.	Far East Plaza	February 2004	November 2020	March 2014	— First refurbishment around or before 31 March 2020 — Second refurbishment around or before 31 March 2023
2.	IMM	August 2013	January 2020	November 2014	Around or before 31 March 2021
3.	Ang Mo Kio Hub	January 2007	January 2021	June 2018	Around or before 31 March 2022
4.	Jurong Point Shopping Centre	February 2008	December 2019	April 2019	Around or before 31 March 2023
5.	313@Somerset	January 2010	April 2021	November 2013	— First refurbishment around or before 31 March 2020 — Second refurbishment around or before 31 March 2023
6.	North Point	August 2015	June 2020	June 2017	Around or before 31 March 2021
7.	Nex Serangoon	June 2016	July 2022	No refurbishment	— First refurbishment around or before 31 March 2020 — Second refurbishment around or before 31 March 2023
8.	Pasir Ris MRT Station	June 2017	June 2020	No refurbishment	Around or before 31 March 2021
9.	Tampines Mall	May 2012	May 2021	September 2012	— First refurbishment around or before 31 March 2020 — Second refurbishment around or before 31 March 2023
10.	Square 2 (<i>Note</i>)	May 2017	May 2021	No refurbishment	Around or before 31 March 2021
11.	Compass One	September 2016	August 2022	No refurbishment	Around or before 31 March 2021
12.	EastPoint Mall	August 2017	July 2020	No refurbishment	Around or before 31 March 2022
13.	Woodlands Exchange	April 2019	October 2019	No refurbishment	— First refurbishment around or before 31 March 2020 — Second refurbishment around or before 31 March 2023

Note: We plan to complete the refurbishment of the Self-operated Outlet/Restaurant before the tenancy expires. In any event, we will commence negotiation of renewing the tenancy in advance and secure renewal of the tenancy prior to the commencement of the refurbishment of the Self-operated Outlet/Restaurant. In the unlikely event that we fail to renew the tenancy, we will cancel the refurbishment plan.

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No.	Self-operated Outlet/Restaurant	Year opened/ takeover	Tenancy expiry date (mm/yy)	Most recent refurbishment	Estimated refurbishment
Malaysia					
1.	1 Utama Shopping Centre <i>(Note)</i>	October 2005	April 2020	October 2016	— First refurbishment around or before 31 March 2020 — Second refurbishment around or before 31 March 2023
2.	Mid Valley City	January 2016	January 2020	April 2018	Around or before 31 March 2021
3.	Sunway Pyramid	May 2017	October 2019	No refurbishment	Around or before 31 March 2022
4.	BerjayaTimes Square Mall	November 2017	December 2020	April 2018	Around or before 31 March 2021
5.	IOI Mall Puchong	November 2017	November 2020	No refurbishment	— First refurbishment around or before 31 March 2020 — Second refurbishment around or before 31 March 2023
6.	BMC Mall	September 2011	June 2020	July 2014	Around or before 31 March 2020
7.	Paradigm Mall	September 2017	May 2020	No refurbishment	Around or before 31 March 2021
8.	AEON Mall Ipoh Klebang	October 2015	October 2020	No refurbishment	— First refurbishment around or before 31 March 2020 — Second refurbishment on or before 31 March 2023
9.	AEON Mall Bukit Tinggi Shopping Centre	November 2015	November 2020	May 2019	Around or before 31 March 2023
10.	East Coast Mall	November 2017	November 2020	No refurbishment	Around or before 31 March 2022
11.	AEON Bandar Dato Onn	December 2017	December 2020	No refurbishment	Around or before 31 March 2022
12.	3 Damansara <i>(Note)</i>	July 2018	June 2021	No refurbishment	Around or before 31 March 2021
13.	EkoCheras Mall	September 2018	September 2021	No refurbishment	Around or before 31 March 2022

Note: We plan to complete the refurbishment of the Self-operated Outlet/Restaurant before the tenancy expires. In any event, we will commence negotiation of renewing the tenancy in advance and secure renewal of the tenancy prior to the commencement of the refurbishment of the Self-operated Outlet/Restaurant. In the unlikely event that we fail to renew the tenancy, we will cancel the refurbishment plan.

We estimate the refurbishment works for Self-operated Outlets and Restaurants will take around three weeks. In order to minimise the operational impact, we plan to re-allocate staff at under refurbishment Outlets/Restaurants to assist at other Outlets/Restaurants and encourage staff to utilise their paid-annual leave during the refurbishment period and we will try to schedule refurbishment works during non-peak periods. Taking into account the estimated closure of around three weeks, our Directors considered the potential loss of revenue during the interim period will not have any material impact on our Groups's overall financial performance. Save as disclosed, there are no additional plans for refurbishments of our Group's existing Self-operated Outlets and Restaurants up to 31 March 2024.

Strengthening our manpower

We believe that a team of experienced administrative and management workforce equipped with appropriate knowledge and experience is crucial to our business growth. To ensure that we have sufficient manpower to support our business growth and anticipated new Self-operated Outlets and Restaurants openings, we intend to apply approximately S\$1.3 million, representing approximately 8.2% of the net proceeds from the Share Offer to new staff recruitment in Singapore and West Malaysia over a period from the date of Listing to 31 March 2024.

Given we only had two and three operations staff who were dedicated to oversee our entire Self-operated Outlets and Restaurants in Singapore and Malaysia as at the Latest Practicable Date, respectively, our Group considers that it is necessary for us to hire more operations staff to oversee and supervise all Self-operated Outlets and Restaurants when our network expands.

For our Singapore office, we plan to recruit one operations manager in the year ending 31 March 2021, one senior operations manager in the year ending 31 March 2022, one operations executive in the year ending 31 March 2022 and one administrative staff in the year ending 31 March 2022. Subject to the individual's performance, it is our intention to promote the operations manager recruited in the year ending 31 March 2021 to senior operations manager in the year ending 31 March 2022 after he/she has gained more experience. Afterwards, we will recruit another operations manager in the year ending 31 March 2023.

For our Malaysia office, we plan to recruit one senior operations manager in each of the year ending 31 March 2020 and the year ending 31 March 2023, respectively, one operations manager in the year ending 31 March 2022, one operations executive in the year ending 31 March 2021, two more by end of the year ending 31 March 2023 and one administrative staff in the year ending 31 March 2021. We target to recruit senior operations manager, operations manager, operation executive and administrative staff with at least two years of relevant food and beverage experience in their respective positions.

The primary roles and responsibilities of the new recruits are to assist in the establishment of the new Self-operated Outlets in Singapore and new Self-operated Restaurants in West Malaysia and also for the ongoing monitoring and supervision of operations, which their duties will include (i) overseeing and ensuring ongoing compliance with written operational policies for all Self-operated Outlets and Restaurants; (ii) assisting the administrative matters for setting up and opening of new Self-operated Outlets and Restaurants; (iii) providing training and guidance to newly recruited staff for newly opened Self-operated Outlets and Restaurants; (iv) serving as direct contact and support for designated Self-operated Outlets and Restaurants; and (v) assisting in ongoing quality control assessment, including site visits to existing and new Self-operated Outlets and Restaurants.

Increase our brand awareness

We believe that increasing brand awareness is essential to promoting the development of our franchise/licence network as well as retaining our competitive advantage. We intend to apply approximately S\$1.3 million, representing approximately 8.2% of the net proceeds from the Share Offer to implement our planned marketing initiatives targeting at consumers within the age group between 18 years to 40 years old.

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In order to enhance our profile and brand awareness, we plan to (i) engage a spokesperson; and (ii) advertise through multiple channels.

Spokesperson

We intend to engage one famous Taiwanese celebrity in the year ending 31 March 2021 as our spokesperson to present a Taiwanese brand image and continue to engage until 31 March 2024. While the costs to engage a spokesperson varies significantly and famous celebrities usually charge substantial spokesperson fees with restricted terms of engagement imposed by the spokesperson, we believe a spokesperson will further enhance public awareness of our Taiwanese Snacks and Beverages and our international presence.

We will assess the profile, image and public influence to ensure we engage a suitable spokesperson to further elevate our brand image and enhance our corporate publicity. As we are offering Taiwanese Snacks and Beverages, we plan to engage a Taiwanese celebrity to enhance awareness of our Taiwanese cuisine. In considering the image, we will review the reputation, historical positive and negative media of the potential spokesperson as well as the perceived image and compatibility with our corporate image. Furthermore, we will review the level of social media influence by analysing the number of followers and publicity.

It is our intention to launch promotional materials with images of our spokesperson for and to host and/or sponsor marketing events attended by our spokesperson. During the Track Record Period, while we did not engage any celebrity to serve as our spokesperson, we have sponsored various events such as a world tour live concert, a Taiwanese blockbuster movie and a Taiwanese horror comedy.

Advertisement

Our Directors believe that, through greater marketing efforts in various platforms, we will develop new customers at our Self-operated Outlets as well as attracting potential franchisees. In particular, we intend to convey the message that we are a reputable food and beverage group offering Taiwanese Snacks and Beverages with long history and strong international presence.

We intend to conduct traditional marketing and promotional activities, such as placing advertisements through television, distributing leaflets to customers and signboards. We also plan to expand our marketing efforts through online media by placing advertisements with popular websites and to promote our brand awareness through social networking platforms and discussion forums and organising online group promotional activities. To ensure we maintain our publicity, we will schedule monthly marketing events as well as designated marketing activities to promote the launch of new products from time to time.

For FY2017, FY2018 and FY2019, we incurred advertising and promotion expenses of approximately S\$0.3 million, S\$0.4 million and S\$0.4 million, respectively, which were principally for promotional campaigns for resonating customers' interests and seasonal promotion were mainly funded by the Pooled Marketing Funds. In the past, we did not have sufficient resources to launch marketing campaigns to enhance our brand awareness, which our Directors believed that is crucial to expand our international presence. After Listing, we expect to spend approximately S\$1.3 million of the net

proceeds from the Share Offer for the aforesaid marketing initiatives over a period of four years, representing approximately S\$0.3 million per year in addition to the advertising and marketing activities which would be funded by the Pooled Marketing Funds.

Upgrade IT infrastructure to improve our operational efficiency

We believe a comprehensive information technology infrastructure is important to enhancing our sales management, outlets and restaurants management, inventory and quality control and supply chain management, altogether supporting our business expansion. We intend to apply approximately S\$1.3 million, representing approximately 8.2% of the net proceeds from the Share Offer to upgrade our IT infrastructure.

Our IT infrastructure upgrade project will focus on the refinement of our Shihlin Outlets and Restaurants network management systems to facilitate management of our Self-operated and Non-self-operated Outlets and Restaurants. To achieve this, we intend to engage third-party information technology solutions providers to customise an integrated enterprise resources planning system (the “**ERP System**”) for our Group which is expected to commence in the year ending 31 March 2022 and complete the development in the year ending 31 March 2023. The ERP System will provide a common platform for us to link our multiple functions, and will also provide a compatible platform to add extra modules in future when required due to business expansion. The ERP System will enable us to coordinate and facilitate the monitoring of our procurement, forecast, storage and logistics as well as preparation of business reports, supplies reports and sales reports.

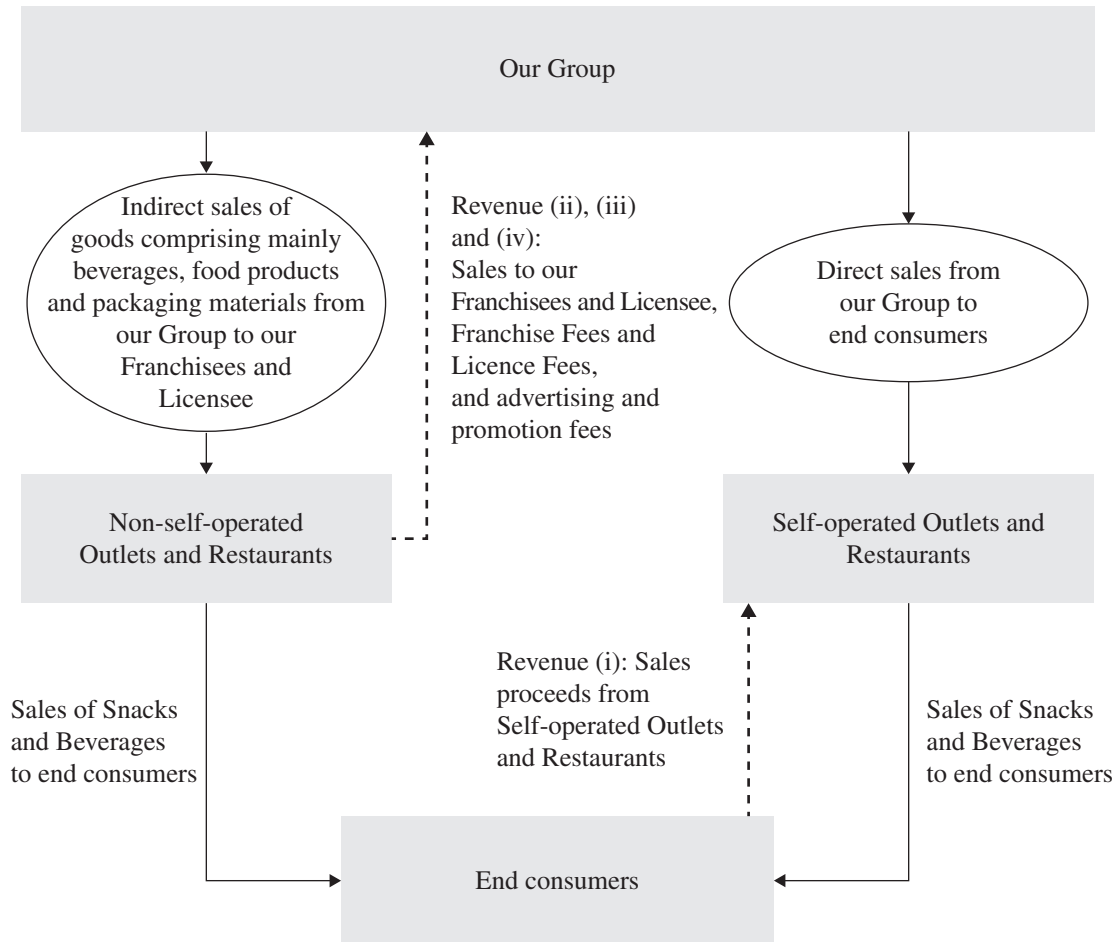
In addition, we plan to introduce and increase automation within our operational flows gradually through the following:

- ***Sales and franchise management:*** Implementation of an electronic point-of-sales systems to expedite settlement and improve overall settlement management across our Shihlin Outlets and Restaurants.
- ***Inventory and quality control:*** Upgrading our inventory system software to enable automatic stock replenishment monitoring to facilitate centralised management and ongoing monitoring.
- ***Human resources management:*** Implement electronic systems to facilitate staff management and to enable systematic adjustment of staff working hours and manpower allocation based on consumer traffic patterns.

BUSINESS

BUSINESS AND REVENUE MODEL

We are a food and beverage group operating under a single *Shihlin Taiwan Street Snacks*[®] brand with 228 Shihlin Outlets and Restaurants in Singapore, Malaysia, Indonesia and United States as at the Latest Practicable Date. The chart below illustrates our business model:



For FY2017, FY2018 and FY2019, we recorded total revenue of approximately S\$15.7 million, S\$18.6 million and S\$21.3 million, respectively. Our four sources of revenue include (i) sales via Self-operated Outlets and Restaurants to end consumers; (ii) sales of goods comprising mainly beverages, semi-processed food products and packaging materials to Franchisees and Licensee; (iii) Franchise Fees and Licence Fees; and (iv) advertising and promotion fees from our Franchisees in Singapore and West Malaysia.

We own, manage and operate the Self-operated Outlets and Restaurants and retain any operating profits generated therefrom. We are solely responsible for all capital expenditures in connection with the opening of all Self-operated Outlets and Restaurants including renovation and equipment, as well as all ongoing operating expenses in connection therewith. For FY2017, FY2018 and FY2019, we recorded total sales from our Self-operated Outlets and Restaurants of approximately S\$6.9 million, S\$8.6 million and S\$10.5 million, respectively, accounting for approximately 43.9%, 46.3% and 49.3% of the total revenue during the respective financial year.

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In contrast with Self-operated Outlets and Restaurants, the operator of the Non-self-operated Outlet or Restaurant owns, manages and operates such Outlet or Restaurant, with technical and operational support from our Group, including training, operations manuals, access to our supply and distribution network and advertising and promotion assistance. They are solely responsible for all capital expenditures in connection with the opening of the Non-self-operated Outlet or Restaurant including renovation and equipment, as well as all ongoing operating expenses in connection therewith. In return, they will retain all operating profits generated therefrom. Revenue derived from our franchise/licence model amounted to approximately S\$8.8 million, S\$10.0 million and S\$10.8 million for FY2017, FY2018 and FY2019, respectively, accounting for approximately 56.1%, 53.7% and 50.7% of the total revenue, respectively.

The table below sets forth a breakdown of our revenue during the Track Record Period:

	FY2017		FY2018		FY2019	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
Sales from Self-operated Outlets and Restaurants						
Singapore	5,454	34.7	6,377	34.3	6,912	32.4
West Malaysia	1,461	9.2	2,219	12.0	3,594	16.9
	6,915	43.9	8,596	46.3	10,506	49.3
Sales to Franchisees/ Licensee						
Singapore	308	2.0	240	1.3	249	1.2
Malaysia	4,321	27.6	5,121	27.6	5,520	25.9
Indonesia	1,972	12.5	1,961	10.5	2,353	11.0
U.S.	126	0.8	328	1.8	261	1.2
Others (Note)	5	—	—	—	—	—
	6,732	42.9	7,650	41.2	8,383	39.3
Franchise Fees and Licence Fees						
Singapore	165	1.0	128	0.7	84	0.4
Malaysia	594	3.8	626	3.3	732	3.4
Indonesia	924	5.9	1,052	5.7	1,128	5.3
U.S.	69	0.4	94	0.5	102	0.5
Others (Note)	38	0.2	23	0.1	14	0.1
	1,790	11.3	1,923	10.3	2,060	9.7

BUSINESS

	FY2017		FY2018		FY2019	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Advertising and promotion fees						
Singapore	70	0.4	67	0.4	193	0.9
West Malaysia	228	1.5	345	1.8	183	0.8
	298	1.9	412	2.2	376	1.7
Total	15,735	100.0	18,581	100.0	21,325	100.0

Note: Others include Brunei and South Korea. For further details, please refer to the section headed “Financial Information — Principal components of combined statements of profit or loss and other comprehensive income — Revenue by geographical locations” of this prospectus.

As at 31 March 2017, 31 March 2018 and 31 March 2019, there were 84, 95 and 105 Non-self-operated Outlets and Restaurants in Indonesia, representing approximately 53.2%, 52.2% and 52.5% of the total number of Shihlin Outlets and Restaurants, and our revenue generated from Indonesia accounted for approximately 18.4%, 16.2% and 16.3% of our total revenue for FY2017, FY2018 and FY2019, respectively. Although the number of Non-self-operated Outlets and Restaurants in Indonesia accounted for a substantial portion of the Shihlin Outlets and Restaurants network, we did not derive substantial revenue from the Non-self-operated arrangements in Indonesia. For FY2017, FY2018 and FY2019, we derived approximately 42.9%, 41.2% and 39.3% of our total revenue from the sales to Franchisees and Licensee, of which only approximately 12.5%, 10.5% and 11.0% were attributable by sales to the Master Licensee. This was attributable to the fact that (i) the Master Licensee does not procure chicken, being the main food ingredient, and packaging materials from our Group; and (ii) the unit prices of products we sold to the Master Licensee are generally lower than those we sold to other Franchisees. We generally offered lower unit prices to our Master Licensee taking into account of (a) the profitability and selling and distribution cost involved in the resale of our products by our Master Licensee to its sub-licensees; and (b) the purchasing power of local customers in Indonesia, as our unit prices will affect the local retail pricing.

As we manage and oversee the local chain operations and logistics in Malaysia, our operating subsidiary in Malaysia purchases main food ingredients from suppliers and sells to our Franchisees in Malaysia. For our Franchisees in Singapore, we would purchase those main food ingredients which we sourced outside Singapore or Malaysia and sell to our Franchisees in Singapore and for those ingredients which we purchased locally, including chicken, we would request our Franchisees in Singapore to purchase on their own given the number of franchise Outlets and Restaurants was not significant in Singapore so that we can reduce administrative costs. As we do not have any operating subsidiaries in Indonesia and it is not in the interest of our Group to export raw chicken to Indonesia, we defer to the Master Licensee to purchase chicken locally in Indonesia and manage the local chain operations and logistics and for further sale to the sub-licensees.

PRODUCTS

We offer a single-brand comprehensive product portfolio comprising two categories, namely (i) Snacks Products including XXL Crispy Chicken, Handmade Oyster Mee Sua, Sweet Plum Potato Fries, Seafood Tempura, Happy! Ricebox, Crispy Floss Egg Crepe, Sausage Cheese Egg Crepe, Mushroom Cheese Egg Crepe; and (ii) Beverages Products including Winter Melon Tea, Smoked Plum Juice, Honey Lemon Cooler, Lemon Ai-Yu Jelly (with Honey) and our own range of bottled drinking water. We market our Snacks and Beverages under our *Shihlin Taiwan Street Snacks*[®] brand and are sold at our Self-operated Outlets and Restaurants and for indirect sale to consumers at the Non-self-operated Outlets and Restaurants.

We strive to differentiate ourselves from our competitors through continuous efforts to expand and to refresh our product portfolio with new product launch and existing product improvement. During FY2017, FY2018 and FY2019, we introduced two, four and two new products, respectively. We leverage our market-oriented innovation capabilities and targeted marketing activities to promote our new product launch with a view to developing our new products to fuel our continuous business growth. As at the Latest Practicable Date, we offered eight Snacks Products and five Beverages Products.

Menu

We are committed to serving quality food and beverage at competitive prices. Menu at each of our Shihlin Outlets and Restaurants comprises our Core Menu and selected Snacks and Beverages that we change from time to time to introduce new flavours in our menu. Historically, all of our products are sold as A La Carte and since May 2017, we introduced Meal Combo, whereby selected items under our Snacks and Beverages are sold as a meal set and are offered at discounted prices as compared to the total price based on A La Carte purchases. We believe the option of A La Carte and Meal Combo offers our customers greater flexibility and value-for-money choices, and thus promoting consumer purchases.

Below is a sample of our menu at our Self-operated Outlets and Restaurants in Singapore:



In general, we strive to launch a new product every three to six months. Our new product development process typically includes the following procedures:

- **Launch timetable:** Our senior management team will decide on the desired month for the launch of the new product with reference to our marketing and promotional schedules.

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- **Product selection:** Our senior management team will discuss internally and decide the new product based on various factors such as upcoming festivals in the local markets we operate in and popular market trends in Taiwan.
- **Prototype and tasting:** Based on the selected products and the specifications, we will seek to prepare the prototype product in-house where feasible, or we will engage third party executive chef to prepare the prototype product, whereafter we will conduct prototype tasting and testing. If the prototype product is considered marketable, our senior management team will determine the relevant retail price in line with our pricing policy and serving size.
- **Inclusion in our menu:** Once the product launch is finalised, we will take photographs of the final product and we will prepare and arrange for printing of updated menu, posters and television display at our Shihlin Outlets and Restaurants.
- **Operations manual:** We will set out the detailed cooking instructions along with photographs for inclusion in the updated operations manual to be circulated to our Self-operated Outlets and Restaurants and Non-self-operated Outlets and Restaurants in Singapore and Malaysia. We will also arrange training for staff working at our Self-operated Outlets and Restaurants as well as Non-self-operated Outlets and Restaurants in Singapore and Malaysia on the cooking preparation for the new product launch. We will enquire the Master Licensee, the Northern California Master Franchisee and the East Malaysia Master Franchisee on their interest in the new product launch in Indonesia, Northern California and East Malaysia, respectively. If any of them expresses interest in the new product launch, we will send them the updated operations manual and arrange for training at their local Shihlin Outlets and/or Restaurants.

Snacks Products

During the Track Record Period, our Snacks Products included XXL Crispy Chicken, Handmade Oyster Mee Sua, Sweet Plum Potato Fries, Seafood Tempura, Happy! Ricebox, Crispy Floss Egg Crepe, Sausage Cheese Egg Crepe, Mushroom Cheese Egg Crepe, all of which may be complemented with our Beverages Products or served stand-alone. As at 31 March 2019, the retail prices of our Snacks Products across our Self-operated Outlets in Singapore ranged from approximately S\$3.00 to S\$6.90 and the retail prices of our Snacks Products across our Self-operated Restaurants in West Malaysia ranged from approximately MYR6.00 to MYR12.00.

Beverages Products

During the Track Record Period, our Beverages Products included Winter Melon Tea, Smoked Plum Juice, Honey Lemon Cooler, Lemon Ai-Yu Jelly (with Honey) and our own range of bottled drinking water. As at 31 March 2019, the retail prices of our Beverages Products across our Self-operated Outlets in Singapore ranged from approximately S\$2.00 to S\$2.80 and the retail prices of our Beverages Products across our Self-operated Restaurants in West Malaysia ranged from approximately MYR2.80 to MYR4.50.

Pricing policy at our Self-operated Outlets and Restaurants

We adopt a cost-plus pricing policy and determine the prices of our menu competitively with reference to numerous considerations including the procurement costs taking into account the volatility of procurement prices of our ingredients and the availability of the ingredients, historical and expected local market demand, general market trends, pricing of our neighbouring competitors, purchasing power of local consumers and consumers’ value perception. While we strive to implement similar pricing range across our Self-operated Outlets and Restaurants within the same country for consistency, as a result of our cost-plus pricing policy, our menu pricing varies between our Self-operated Outlets and Restaurants. In addition, the menu prices differ between countries to take into account additional factors such as taxation, initial costs of establishment, operating expenses and purchasing power. We review our menu prices from time to time as our Directors consider appropriate with reference to prevailing market conditions in order to ensure the competitiveness of our pricing strategy.

During the Track Record Period, there was no material fluctuations in the menu prices of the Self-operated Outlets and Restaurants in Singapore or West Malaysia.

For details relating to pricing policy at the Non-self-operated Outlets and Restaurants, please refer to the paragraph headed “Non-self-operated Outlets and Restaurants — Sales and pricing policies at Non-self-operated Outlets and Restaurants” in this section.

SHIHLIN OUTLETS AND RESTAURANTS NETWORK

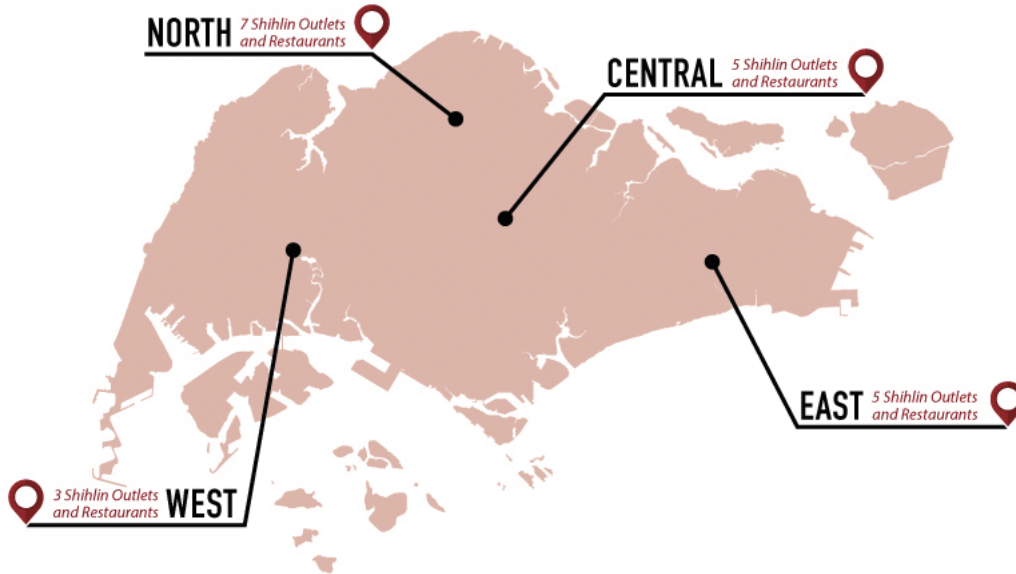
We operated our Shihlin Outlets and Restaurants under our brand adopting two basic models, namely (i) Self-operated model, being Shihlin Outlets and Restaurants operated by our Group; and (ii) the franchise/licence model, being Shihlin Outlets and Restaurants not operated by our Group.

The map below illustrates our geographic coverage as at the Latest Practicable Date:



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The table below illustrates our geographic coverage in Singapore as at the Latest Practicable Date:



The table below illustrates our geographic coverage in Malaysia as at the Latest Practicable Date:

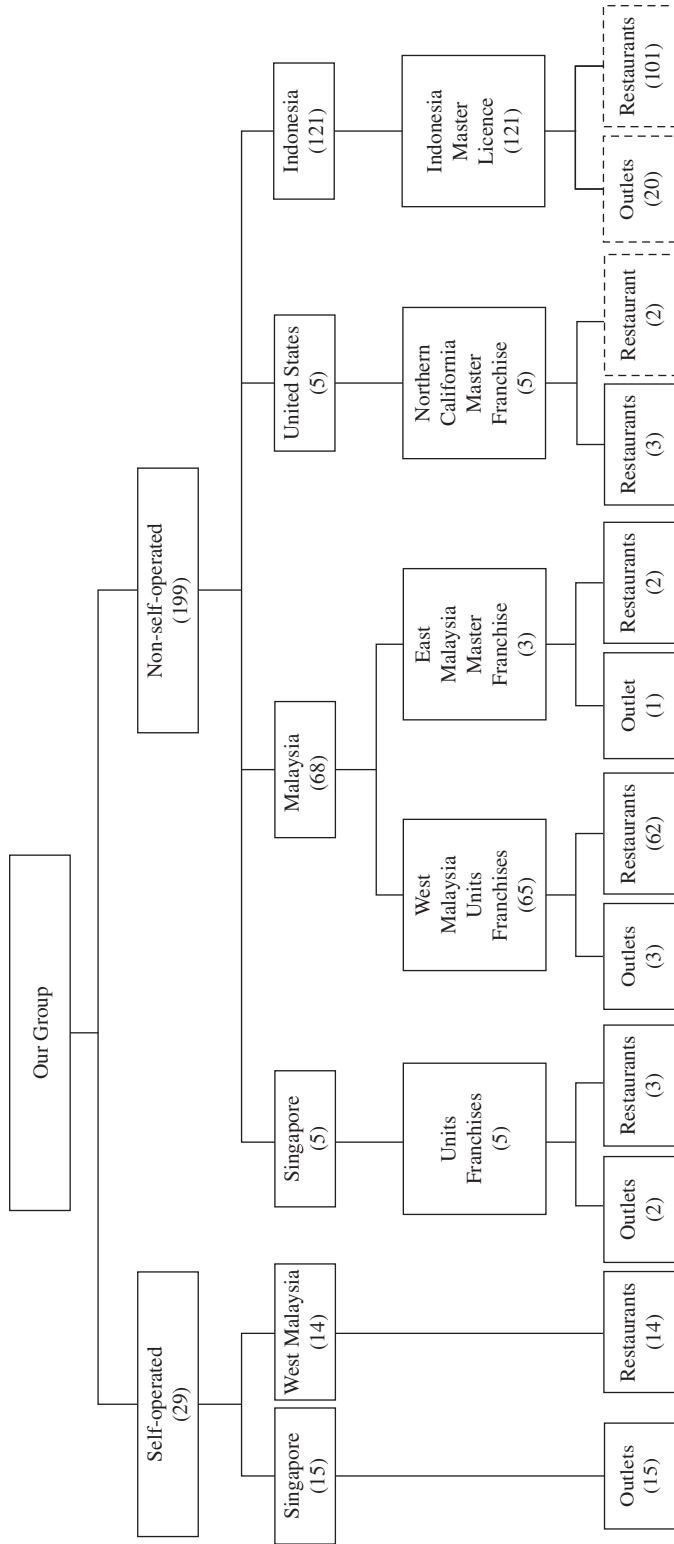
West Malaysia

East Malaysia



BUSINESS

The chart below illustrates the Shihlin Outlets and Restaurants by operator, location and nature as at the Latest Practicable Date:



Notes:

1. refers to Outlet(s) or Restaurant(s) operated by sub-licensees and/or sub-franchisee.
2. refers to Outlet(s) or Restaurant(s) operated directly by our Franchisees.
3. To the best knowledge of our Directors, all of our Units Franchises and East Malaysia Master Franchise and/or sub-franchisees operated on retail bases while the Master Licensee (with its related parties) and Northern California Master Franchise operated as a retailer and also a wholesaler selling food products to its sub-licensees.

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Outlets and Restaurants

All Shihlin Outlets and Restaurants are either Outlets or Restaurants. Outlet refers to a take-out outlet, which is typically concessionary counter consisting primarily of a front counter and kitchen and does not have seating area, whilst Restaurant refers to self-service restaurant with seating area. As at the Latest Practicable Date, there are 41 Shihlin Outlets and 187 Shihlin Restaurants, representing approximately 18.0% and 82.0% of the total Shihlin Outlets and Restaurants, respectively.

New opening and closure during the Track Record Period and up to the Latest Practicable Date

The table below sets out the movement of Shihlin Outlets and Restaurants in the respective countries, during the Track Record Period and up to the Latest Practicable Date:

			Singapore	Malaysia	Indonesia	United States	Total
As at 31 March 2016	Self-operated	Outlet	9	—	—	—	9
		Restaurant	—	5	—	—	5
	Non-self-operated	Outlet	7	4	6	—	17
		Restaurant	—	54	71	—	125
Addition	Self-operated	Outlet	2	—	—	—	2
		Restaurant	—	—	—	—	—
	Non-self-operated	Outlet	1	—	2	—	3
		Restaurant	—	4	8	1	13
Closure	Self-operated	Outlet	1	—	—	—	1
		Restaurant	—	—	—	—	—
	Non-self-operated	Outlet	4	1	—	—	5
		Restaurant	—	7	3	—	10
As at 31 March 2017	Self-operated	Outlet	10	—	—	—	10
		Restaurant	—	5	—	—	5
	Non-self-operated	Outlet	4	3	8	—	15
		Restaurant	—	51	76	1	128
Addition	Self-operated	Outlet	3	—	—	—	3
		Restaurant	—	6	—	—	6
	Non-self-operated	Outlet	—	1	3	—	4
		Restaurant	1	11	11	1	24
Closure	Self-operated	Outlet	1	—	—	—	1
		Restaurant	—	—	0	—	0
	Non-self-operated	Outlet	1	—	—	—	1
		Restaurant	—	8	3	—	11
As at 31 March 2018	Self-operated	Outlet	12	—	—	—	12
		Restaurant	—	11	—	—	11
	Non-self-operated	Outlet	3	4	11	—	18
		Restaurant	1	54	84	2	141
Addition	Self-operated	Outlet	—	—	—	—	—
		Restaurant	—	2	—	—	2
	Non-self-operated	Outlet	—	—	3	—	3
		Restaurant	—	12	9	1	22

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			Singapore	Malaysia	Indonesia	United States	Total
Closure	Self-operated	Outlet	—	—	—	—	—
		Restaurant	—	—	—	—	—
	Non-self-operated	Outlet	—	1	—	—	1
		Restaurant	—	6	2	—	8
As at 31 March 2019	Self-operated	Outlet	12	—	—	—	12
		Restaurant	—	13	—	—	13
	Non-self-operated	Outlet	3	3	14	—	20
		Restaurant	1	60	91	3	155
Addition	Self-operated	Outlet	3	—	—	—	3
		Restaurant	—	1	—	—	1
	Non-self-operated	Outlet	—	1	6	—	7
		Restaurant	2	4	10	2	18
Closure	Self-operated	Outlet	—	—	—	—	—
		Restaurant	—	—	—	—	—
	Non-self-operated	Outlet	1	—	—	—	1
		Restaurant	—	—	—	—	—
As at the Latest Practicable Date	Self-operated	Outlet	15	—	—	—	15
		Restaurant	—	14	—	—	14
	Non-self-operated	Outlet	2	4	20	—	26
		Restaurant	3	64	101	5	173

Note 1: During the Track Record Period, one Shihlin Outlet in Hong Kong, which was operated by STSS Concepts (HK) Limited, being a related party, was closed down during FY2017. The closure of the Shihlin Outlet in Hong Kong was due to underperformance. To the best knowledge of our Directors based on enquiries with the management of STSS Concepts (HK) Limited, the losses were due to failure to attract new customers as (i) keen competition and lower spending power within Sham Shui Po neighbourhood, where both Shihlin Outlets were situated; (ii) difficulties in attracting customers due to lack of publicity as no major marketing activities were launched in Hong Kong and therefore our brand was not widely disseminated to the general public in Hong Kong; and (iii) higher costs of setting up due to unfamiliarity with Hong Kong as all the management of STSS Concepts (HK) Limited were based in Singapore.

Note 2: During the Track Record Period, all Non-self-operated Outlet(s)/Restaurant(s) in Indonesia were operated by sub-licensees. All Non-self-operated Outlet(s)/Restaurant(s) in Singapore were operated directly by the respective Franchisee(s). All Non-self-operated Outlet(s)/Restaurants in Malaysia were operated by the respective Franchisee(s), save for three which were operated by the sub-franchisees under the East Malaysia Master Franchise, and closed in April 2015, October 2016 and February 2017, respectively. All Non-self-operated Outlet(s)/Restaurant(s) in the United States were operated directly by the Franchisee during the Track Record Period. Subsequent to the Track Record Period and up to the Latest Practicable Date, the two new Non-Self-operated Restaurants opened in Northern California were operated by the sub-franchisees under the Northern California Master Franchise.

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For FY2017, FY2018 and FY2019, we have opened two, nine and two Self-operated Outlets/Restaurants, respectively. The opening of new Self-operated Outlets/Restaurants is subject to various internal factors such as our financial conditions and working capital sufficiency as well as external factors such as availability of premises and market demand. We face significant competition to secure leases at shopping malls, especially those premises near to food court area. Furthermore, as the term of lease for shopping mall premises are usually for more than one year, vacant premises are only available upon expiration or termination of the existing leases, which may not happen at the appropriate time, may not happen at all or may not have many at the same time. With our limited capital, we may be unable to capitalise on all or any of these opportunities if our internally generated funds are insufficient at that point in time. As we prefer to open our Self-operated Outlets/Restaurants within shopping malls to ensure customer traffic while shopping malls have their selection criteria to deciding their lessee, we have historically adopted a passive approach. As a result, the number of new Self-operated Outlets/Restaurants fluctuated from time to time.

Closures during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, we closed down (i) Self-operated Outlet C, which recorded revenue of approximately S\$0.1 million during FY2017, in August 2016 upon expiration of the tenancy agreement as our Directors decided not to renew the tenancy in view of its operating performance; and (ii) Self-operated Outlet I, which recorded revenue of approximately S\$0.5 million and S\$0.2 million during FY2017 and FY2018, respectively, in September 2017 upon expiration of the tenancy agreement as the landlord did not renew the agreement with us. We did not close down any Self-operated Restaurants in West Malaysia during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, our opening of Self-operated Outlets and Restaurants in Singapore and West Malaysia were for expansion of our market presence in the regions, which also included the takeover of Non-self-operated Outlets and Restaurants from Franchisees.

The additions of the Non-self-operated Outlets and Restaurants in Singapore, Malaysia, Indonesia and the United States during the Track Record Period and up to the Latest Practicable Date were the results of the opening of new Non-self-operated Outlets and Restaurants of our Franchisees, Licensee, its sub-franchisees and/or its sub-licensees.

Particularly, having considered the satisfactory performance of our Self-operated Outlets/Restaurants opened in FY2017, we opened more Self-operated Outlets/Restaurants in FY2018.

The fewer opening of Non-self-operated Outlets/Restaurants in FY2017 as compared to FY2018 and FY2019 was mainly due to slower opening of Non-self-operated Outlets/Restaurants in West Malaysia and Indonesia in FY2017. Prior to FY2018, our leasing and prospecting of franchisees in West Malaysia were managed by our Singapore office. Our Directors believe the slow opening of Non-self-operated Outlets/Restaurants in West Malaysia in FY2017 was due to the lack of human resources in West Malaysia to follow up with potential franchising and leasing opportunities. In March 2017, we hired our first West Malaysia based leasing and franchising personnel, who was able to provide timely response to business opportunities. Our Directors believe our Malaysian staff have assisted in the expansion of the Non-self-operated Outlets and Restaurants in West Malaysia by providing additional guidance and immediate attention and assistance to our Franchisees in West Malaysia.

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Our Directors understood from the Master Licensee that the slow opening of Non-self-operated Outlets/Restaurants in Indonesia in FY2017 was primarily attributable to the allocation of time and resources for the training and management to ensure smooth operations of Non-self-operated Outlets/Restaurants in Indonesia due to the rapid expansion in FY2016. As a result of which, our Master Licensee did not focus on expansion of Non-self-operated Outlets/Restaurants in Indonesia in FY2017.

The closures of the Non-self-operated Outlets and Restaurants during the Track Record Period and up to the Latest Practicable Date in Singapore, Malaysia, Indonesia by our Franchisees, Licensee and/or its sub-franchisees/sub-licensees, were due to various reasons including expiry of Franchise Agreement(s), sub-franchise agreement(s) or sub-licence agreement(s), unsatisfactory performance and other personal reasons.

During the Track Record Period, we did not terminate agreements with our Franchisees on our part due to their underperformance unless the termination was initiated by the Franchisees, which we would consider and agree on a case by case basis. The royalty we collect from the Franchisees or Licensee as a percentage of their sales contributes positively to our financial performance and the royalty is independent of whether the Franchisees or Licensee is making a profit. We believe that the Franchisees or Licensee is in a better position to understand the relevant local market conditions and thus do not deem any Franchisees or Licensee as underperforming so long as they adhere to our strict operational requirements. We will only consider initiating termination of the agreements with our Franchisees or Licensee if there is a material breach of the terms and conditions of the agreements on their part. During the Track Record Period and up to the Latest Practicable Date, none of the Non-self-operated Outlets or Restaurants was terminated by our Group due to breach of the agreement by the Franchisees or Licensee. To the best knowledge and information of our Directors, most of the closures were initiated by the relevant Franchisee or sub-franchisee or sub-licencee due to various reasons such as expiry of the Franchise Agreement or sub-franchise agreement or sub-licence agreement, unsatisfactory performance and other personal commitments. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, two Franchisees in Singapore, six Franchisees in Malaysia and four sub-licensees in Indonesia initiated to terminate the Franchise Agreements or sub-licence agreements as they considered the sales as underperforming and/or falling below their expectations. Franchisees who are satisfied with the performance of their existing outlets or restaurants, and who possess sufficient capital, may request to open additional outlets or restaurants, and upon our approval, such Franchisees will then enter into additional Franchise Agreements with us. However, we are under no obligation to agree to such requests.

The revenue generated from franchise arrangements that were terminated during the Track Record Period amounted to approximately S\$0.3 million, S\$0.5 million and S\$40,000 for FY2017, FY2018 and FY2019, respectively.

Expected new openings

Having considered our established local presence and market knowledge through years of operation, our Self-operated Outlets and Restaurants are all opened and will continue to be opened in Singapore and West Malaysia only. Given the large geographical area and high population of West Malaysia, we have been and will continue to expand our network in West Malaysia by operating Self-operated Restaurants and through franchising.

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We will continue to rely on franchise/licence model as our primary means to expand our international presence, subject to prevailing market conditions and our financial conditions. Based on the information provided by our Franchisees and Licensee as at the Latest Practicable Date, (i) eight Non-self-operated Outlets and/or Restaurants are under planning in Malaysia, five of which are expected to be opened in the fourth quarter of 2019; and (ii) one Non-self-operated Outlet is under planning in Singapore and is expected to be opened in the fourth quarter of 2019. As at the Latest Practicable Date, we have also entered into Franchise Agreements for the opening of franchise Outlet(s) in Brunei and Egypt, respectively. To the best knowledge and information of our Directors, additional time is required by the Brunei Franchisee to open the first franchise Outlet/Restaurant in Brunei as the Brunei Franchisee requires time to formulate their Outlet(s)/Restaurant(s) opening strategy and to prepare for the pre-requisites, including obtaining relevant licences/permits. Our Group has been regularly liaising with the Brunei Franchisee for the opening of the franchise Outlet/Restaurant since the entering of the relevant franchise agreement with them. However, to the best knowledge of our Directors, given our Brunei Franchisee runs other businesses, they yet to have time to focus on the establishment of the franchise. As such, the opening process has been lengthy. We will continue to liaise closely with the Brunei Franchisee on the status of the opening, including meeting the Brunei Franchisee more often. In the event the Brunei Franchisee does not open any Outlet/Restaurant by the end of the term of the relevant franchise agreement, i.e. July 2021, we will not renew the franchise agreement with them.

To the best knowledge of our Directors, it is expected that the first franchise Outlet/Restaurant in Brunei and Egypt will be opened by the end of March 2020.

Measures to prevent potential cannibalisation and competition among our Shihlin Outlets and Restaurants in Singapore and West Malaysia

As a food and beverage group offering a fixed menu under a single brand, we recognise that the opening of more Shihlin Outlets and Restaurants in the future may potentially reduce same stores sales and customer traffic of each Outlet or Restaurant due to cannibalisation. In order to outweigh the impact of potential cannibalisation, we will continue to strive to capture organic sales growth in existing Shihlin Outlets and Restaurants while we seek to extend our geographic reach and market presence by opening more Shihlin Outlets and Restaurants in strategically selected locations.

In order to avoid competition and cannibalisation among our Shihlin Outlets and Restaurants in Singapore and West Malaysia situated in the same district, city or region, we strive to adopt a balanced approach to manage and minimise the overlapping of Shihlin Outlets and Restaurants by requiring prior approval of all proposed premises for new Shihlin Outlets and/or Restaurants in Singapore and West Malaysia. We will conduct an internal assessment to consider the desired sales coverage and growth objectives within a particular district, city or region having regards to, *inter alia*, demographics, rental costs, visibility, accessibility, competition, etc. and strategically allocate the proposed new Shihlin Outlets and/or Restaurants to optimise our Shihlin Outlets and Restaurants network by minimising the likelihood of having Shihlin Outlets and/or Restaurants within a parameter of 2 kilometres of the proposed new Shihlin Outlet and/or Restaurant. Further, we assess whether there is any potential competition among our Self-operated and Non-self-operated Outlets and Restaurants in Singapore and Malaysia by monitoring the sales performance of such Outlets and Restaurants.

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Our Directors are of the view that there was no material competition among the Self-operated Outlets/Restaurants and Non-self-operated Outlets/Restaurants and there was no material cannibalisation in Singapore and Malaysia during the Track Record Period for the following reasons:

- **Singapore:** While the number of our Self-operated Outlets in Singapore increased from nine Self-operated Outlets as at 1 April 2016 to 15 Self-operated Outlets as at the Latest Practicable Date, the same store sales of FY2018 and FY2019 for our existing Self-operated Outlets increased by approximately 1.6% and the same store sales of our new Self-operated Outlets increased by 6.5% and our revenue from Self-operated Outlets in Singapore increased by approximately 8.4% from FY2018 to FY2019 mainly because of the opening of the three Self-operated Outlets during FY2018.
- **West Malaysia:** The same store sales for our existing and new Self-operated Restaurants increased during the Track Record Period. Moreover, the average monthly royalty income generated per Non-self-operated Outlet/Restaurant in Malaysia increased by approximately 5.9% from FY2017 to FY2018 and further increased by approximately 9.2% from FY2018 to FY2019.
- **Shopping mall:** As most of our Self-operated Outlets are situated in shopping malls primarily targeting at those customers visiting such shopping malls, we believe the risk of cannibalisation is limited so long as we do not open more than one Self-operated Outlet in the same shopping mall. Further, since our Self-operated Outlets and Restaurant offer self-serviced casual dining, they only target at customers in the vicinity of the outlets. Therefore, we need to open more outlets to reach out to customers in different areas. For details on the geographic distribution of our Self-operated Outlets in Singapore and Self-operated Restaurants in West Malaysia, please refer to the map set out in the paragraph headed “Shihlin Outlets and Restaurants network” in this section.

Measures to prevent cannibalisation among our Master Franchisees, Master Licensee, Franchisees, sub-franchisees and sub-licensees

In order to prevent cannibalisation among Master Franchisees and Master Licensee, each of our Master Franchisees and Master Licensee is granted the exclusive rights within a designated geographic region to operate franchised or licensed Outlets or Restaurant or to sub-franchise or sub-license the opening of Non-self-operated Outlets or Restaurants. For further details on the exclusivity rights, please refer to the major terms of our Franchise Agreements and the Indonesia Master Licence Agreement set out in the paragraph headed “Non-self-operated Outlets and Restaurants — Sub-franchisees and sub-licensees” in this section.

We defer the management of sub-franchisees and sub-licensees to our Master Franchisees and Master Licensee. Nonetheless, we require our Master Franchisees and Master Licensee to ensure there are no unhealthy competition within the designated geographic region. To the best knowledge and information of our Directors, our Master Franchisees and Master Licensee generally require that the distance between any two Non-self-operated Outlets or Restaurants operated by different franchisees or licensees be no less than a reasonable distance.

BUSINESS

SELF-OPERATED OUTLETS AND RESTAURANTS

Our first pop-up store was opened in November 2003 in Singapore with an aim to introducing authentic Taiwanese Snacks and Beverages to our customers. Throughout the years of operations, we have been consistently targeting casual diners, customers at shopping malls and residents or workers in the vicinity of our Self-operated Outlets and Restaurants.

As at the Latest Practicable Date, we operated 15 Self-operated Outlets in Singapore and 14 Self-operated Restaurants in West Malaysia. For FY2017, FY2018 and FY2019, we recorded total sales from our Self-operated Outlets and Restaurants of approximately S\$6.9 million, S\$8.6 million and S\$10.5 million, respectively, accounting for approximately 43.9%, 46.3% and 49.3% of the total revenue during the respective financial year.

All of our Self-operated Outlets in Singapore and Self-operated Restaurants in West Malaysia are operated on properties leased from Independent Third Parties and are strategically located in shopping malls or other prime areas. For FY2017, FY2018 and FY2019, we incurred rental and related expenses for our Self-operated Outlets and Restaurants of approximately S\$1.0 million, S\$1.2 million and S\$1.4 million, respectively. We believe our site selection strategy in Singapore and West Malaysia enabled us to benefit from a steady flow of consumers visiting our Self-operated Outlets and Restaurants given the convenience and accessibility with the support of public transport system and car parking facilities to shopping malls, whilst enabling us to capture our targeted consumers.

The table below sets forth brief details of our Self-operated Outlets and Restaurants during the Track Record Period and up to the Latest Practicable Date:

Singapore

Operating as at the Latest Practicable Date

No.	Self-operated Outlet/ Restaurant	Location	Month/year of opening	Expiration date of tenancy agreement	GFA
1	Far East Plaza	#01-16D Far East Plaza, 14 Scotts Road Singapore 228213	February 2004	November 2020	151 sq.ft
2	IMM ⁽¹⁾	#01-K03, IMM Mall 2 Jurong East Street 21 Singapore 609601	August 2013	January 2020	161 sq.ft
3	Ang Mo Kio Hub	#B2-28, AMK Hub 53 Ang Mo Kio Avenue 3 Singapore 569933	January 2007	January 2021	86 sq.ft
4	Jurong Point Shopping Centre	#01-34 Jurong Point Shopping Centre 63 Jurong West Central 3 Singapore 648331	February 2008	December 2019 ⁽³⁾	172 sq.ft
5	313@Somerset	#B3-50A, 313@Somerset, 313 Orchard Road Singapore 238895	January 2010	April 2021	130 sq.ft
6	North Point ⁽¹⁾⁽²⁾	930 Yishun Avenue 2 #B1-44 Singapore 769098	August 2015	June 2020	210 sq.ft

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No.	Self-operated Outlet/ Restaurant	Location	Month/year of opening	Expiration date of tenancy agreement	GFA
7	Nex Serangoon ⁽¹⁾	#03-K12, Nex Serangoon 23 Serangoon Central Singapore 556083	June 2016	July 2022	110 sq.ft
8	Pasir Ris MRT Station ⁽¹⁾	#01-18, Pasir Ris MRT Station 10 Pasir Ris Central Singapore 519634	June 2017	June 2020	193 sq.ft
9	Tampines Mall	#B1-K4, Tampines Mall 4 Tampines Central 5 Singapore 529510	May 2012	May 2021	161 sq.ft
10	Square 2	10 Sinaran Drive, #B1-126 Square 2 Singapore 307506	May 2017	May 2021	129 sq.ft
11	Compass One	#B1-51, Compass One 1 Sengkang Square Singapore 545078	September 2016	August 2022	142 sq.ft
12	EastPoint Mall	#01-K2, EastPoint Mall 3 Simei Street 6 Singapore 528833	August 2017	July 2020	170 sq.ft
13	Woodlands Exchange	#01-28, Woodlands Exchange 30 Woodlands Avenue 2 Singapore 738343	April 2019	October 2019 ⁽⁴⁾	126 sq.ft
14	Paya Lebar Quarter	10 Paya Lebar Road, #B2-44 Singapore 409057	August 2019	August 2022	130 sq.ft.
15	Tiong Bahru Plaza	302 Tiong Bahru Road, #B1-K2 Singapore 168732	August 2019	August 2021	162 sq.ft.

Closed during the Track Record Period

No.	Self-operated Outlet/ Restaurant	Location	Month/year of opening	Month/year of closing	GFA
1	Suntec City Mall	Suntec City Mall 3, Temasek Boulevard, #B1-106, Singapore 038983	August 2013	August 2016	124 sq.ft
2	Hougang Mall	90 Hougang Avenue 10, #01-40, Singapore 538766	April 2007	September 2017	215 sq.ft

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West Malaysia

Operating as at the Latest Practicable Date

No.	Self-operated Outlet/ Restaurant	Location	Month/year of opening	Expiration date of tenancy agreement	GFA
1	1 Utama Shopping Centre	Lot LG 312A (Lower Ground Floor) 1 Utama Shopping Centre No.1 Lebuhraya Bandar Utama Bandar Utama City Centre Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Malaysia	October 2005	April 2020	377 sq.ft
2	Mid Valley City	Lot LG-K17, Mid Valley City No. 1 Medan Syed Putra Utara 59200 Kuala Lumpur Malaysia	January 2016	January 2020	129 sq.ft
3	Sunway Pyramid ⁽¹⁾	Lot F1.AV.128, Sunway Pyramid No. 3, Jalan PJS 11/15 Bandar Sunway 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia	May 2017	October 2019 ⁽⁴⁾	326 sq.ft
4	Berjaya Times Square Mall ⁽¹⁾	Lot 03-110A Berjaya Times Square Mall No. 1 Jalan Imbi 55100 Kuala Lumpur Malaysia	November 2017	December 2020	300 sq.ft
5	IOI Mall Puchong ⁽¹⁾	Lot ET 6A, Third Floor IOI Mall Puchong Batu 9 Jalan Puchong Bandar Puchong Jaya 47170 Puchong Selangor Darul Ehsan Malaysia	November 2017	November 2020	470 sq.ft
6	BMC Mall ⁽¹⁾	Lot G42, BMC Mall Jalan Temenggung 21/9, Persiaran Mahkota Cheras 1, Bandar Mahkota Cheras 43200 Cheras, Selangor Darul Ehsan Malaysia	September 2011	June 2020	262 sq.ft
7	Paradigm Mall ⁽¹⁾	Lot LG-28, The Paradigm Mall No.1 Jalan SS7/26a, Kelana Jaya 47301 Petaling Jaya, Selangor Darul Ehsan Malaysia	September 2017	May 2020	291 sq.ft
8	AEON Mall Ipoh Klebang	Lot KS9, AEON Mall Ipoh Klebang Lot 12080, Klebang Perdana 31200 Chemor, Perak Malaysia	October 2015	October 2020	532 sq.ft

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No.	Self-operated Outlet/ Restaurant	Location	Month/year of opening	Expiration date of tenancy agreement	GFA
9	AEON Mall Bukit Tinggi Shopping Centre	Lot G16, AEON Bukit Tinggi Shopping Centre No. 1 Persiaran Batu Nilam 1/KS6 Bandar Bukit Tinggi 2 41200 Klang, Selangor Darul Ehsan, Malaysia	November 2015	November 2020	645 sq.ft
10	East Coast Mall ⁽¹⁾	Lot L3-39, Level 3, East Coast Mall, Jalan Putra Square 6, 25200 Kuantan, Pahang Darul Makmur	November 2017	November 2020	568 sq.ft
11	AEON Bandar Dato Onn	Lot S13, AEON Bandar Dato Onn No. 13, Jalan Dato Onn 3 81100 Johor Bahru, Malaysia	December 2017	December 2020	413 sq.ft
12	3 Damansara ⁽¹⁾	3 Damansara Lot LG-37, Lower Ground Floor, 3, Jalan SS 20/27 47400 Petaling Jaya, Selangor	July 2018	June 2021	276 sq.ft
13	EkoCheras Mall	Lot LG-65, EkoCheras Mall, No. 693, Batu 5, Jalan Cheras, 56000, Kuala Lumpur, Malaysia	September 2018	September 2021	570 sq.ft.
14	AEON Taman Maluri	Lot G-05, AEON Taman Maluri Shopping Centre, Jalan Jejaka, Taman Maluri Cheras, 55100 Kuala Lumpur Malaysia	August 2019	August 2022	357 sq.ft

Notes:

- (1) This Outlet/Restaurant was initially opened and operated by a Franchisee and was subsequently acquired by our Group from such Franchisee. The date of opening refers to the date on which our Group commenced operations at such Outlet/Restaurant subsequent to completion of the acquisition.
- (2) This Outlet was temporarily closed during June 2016 to June 2017 due to revampment of the shopping mall in which the Outlet was situated.
- (3) As at the Latest Practicable Date, we have received the draft tenancy agreement to renew the lease and we are currently liaising with the landlord regarding the terms of renewal. We will finalise the tenancy agreement before the expiration of the existing lease to ensure there will be no impact on our operations.
- (4) As at the Latest Practicable Date, we have informed our landlord of our intention to renew the lease and we have received indication of the renewal of the lease to 15 July 2020 from the landlord yet no formal lease agreement has been signed as at the Latest Practicable Date. Our Directors expect to renew the lease.

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We will review the profitability and viability of each Self-operated Outlet and Restaurant to consider whether to renew the lease upon expiration. In the event our Directors decide to renew the lease, we will commence negotiations with our landlord at least one month prior to expiration to ensure we have sufficient time to negotiate on the terms of lease. In the event of non-renewal of the tenancy agreements or significant increases in rental rates upon renewal of the tenancy agreements, our Group's financial performance and prospectus will be affected to the extent, for illustration purpose, for the five Self-operated Outlets and Restaurants in Singapore and West Malaysia whose tenancy agreements shall expire on or before 31 March 2020, their total annual revenue contribution was approximately S\$2.2 million for FY2019, and should their rental expense were increased by 28% (based on the historical fluctuation of our Group's total rental expenses from FY2017 to FY2018), the net profit after taxation of our Group would have decreased by approximately S\$53,000, S\$66,000 and S\$69,000 for the Track Record Period, respectively.

From time to time, we review the financial performance of each of our Self-operated Outlets and Restaurants to ensure the profitability and to maximise our capital investments. For further details on the operating performance of our Self-operated Outlets and Restaurants, please refer to the paragraph headed "Operating performance" in this section.

Opening procedures

It takes approximately between two to four months to open a new Self-operated Outlet or Restaurant. The development process of a new Self-operated Outlet or Restaurant mainly consists of the following key steps:

- ***Stage 1: Site selection and lease negotiation***
 - *Site selection:* We take into consideration various factors during our site selection process, including (i) spending power of the local community, which may be affected by the preferences of the local community, population density, demographics, existence of a critical mass and the spending power of the community; (ii) pedestrian traffic and convenience of the location, which may be affected by accessibility to public transportation and parking, proximity to office buildings, shopping malls, residential estates and ease of entry; (iii) competition, which may be affected by the existence of actual or potential, direct or indirect competition, the number and business records of and proximity to the competitors; (iv) we will also consider whether we already have an existing Restaurant or Outlet in the vicinity, and if so, whether the proposed new Restaurant or Outlet will have a cannibalisation effect on our existing Restaurant or Outlet in the vicinity; and (v) lease, which may be affected by the rental cost, size and structure of the premises and restrictions on opening hours of the premises.
 - *Lease negotiation:* Once a potential site is identified and approved by our Directors, we commence negotiation of the lease with the landlord. Currently, the term of our leases ranged between one year to three years and typically include a rent-free period ranging from two weeks to one month to allow sufficient time for us to renovate the premises. The terms of the leases are subject to the final review and approval of our Board.

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- **Stage 2: Renovation, licensing, staffing and procurement**
 - *Renovation:* Upon finalisation and signing of the lease agreement, we will obtain quotations from independent contractors for the design and renovation works for the new Self-operated Outlet or Restaurant. The average time for the design and renovation process from quotation to completion of renovation works generally takes between four weeks to eight weeks.
 - *Licensing:* We will apply for the requisite licences for the commencement of operations of the new Self-operated Outlet or Restaurant. The licensing process generally takes between four weeks to eight weeks from preparation of licence application documents to the obtaining of all relevant licences. For details of the licensing requirements, please refer to the paragraph headed “Licences and permits” in this section and the section headed “Regulatory Overview” of this prospectus.
 - *Staffing and procurement:* Our procurement personnel will procure the equipment and place inventory orders for the new Self-operated Outlet or Restaurant while our operations personnel will relocate employees from existing Self-operated Outlets or Restaurants or recruit new employees depending on our workforce at the relevant time.

Factors affecting our commercial decision in opening new Self-operated Outlets and Restaurants

Our commercial decision in opening new Self-operated Outlets and Restaurants are based on our estimation on:

- Overall increase in revenue and profit: We will assess whether the proposed new opening will increase our Group’s overall revenue and profit.
- Impact on existing Self-operated Outlets and Restaurants: We will assess the potential impact on existing Self-operated Outlets and Restaurants, including whether we will be able to continue to operate our existing Self-operated Outlets and Restaurants profitably.
- The sufficiency of our Group’s cash holding and manpower resources at that point in time.

Settlement at Self-operated Outlets and Restaurants

Cash

During the Track Record Period, the majority of our customers settled their purchases by cash. To prevent misappropriation of cash, we have implemented at our Self-operated Outlets and Restaurants a cash management system comprising (i) cash handling procedures including segregation of duties requiring cash to be handled by designated outlet leader/operative executive; (ii) daily cash reconciliations procedures where cash received are reconciled with sales records on a daily basis; and (iii) cash deposit procedures requiring daily bank-in of cash. Furthermore, we have implemented the whistle-blowing policy to provide a mechanism allowing our employees to report any malpractice to the Audit Committee in confidence and to set out the investigation procedures. Our employees are required to report any suspected financial malpractice or impropriety or fraud, regulatory non-compliance, criminal activities, improper conduct or unethical behaviours to our whistle-blowing officer, being an independent non-executive Director who receives report of concern and is responsible to report to the Audit Committee. Taking into account that the whistle-blowing policy (i) was prepared based on our extensive operating experience and detailed risk assessment; (ii) we will regularly rotate staff among our different Self-operated Outlets and Restaurants; and (iii) our senior management team will conduct regular visits at our Self-operated Outlets and Restaurants as well as regular mystery shopper to monitor our store performance, our Directors believe the whistle-blowing policy will (a) ensure that each of our staff will be familiar with the cash management procedures; and (b) there will be adequate on-site and high level monitoring as staff will be able to identify circumstances where the procedures were not followed as well as reviewed by our senior management based on the reconciliation procedures. Altogether, we believe the implementation of a whistle-blowing policy could effectively prevent collusion among employees at the outlets/restaurants.

We have taken out insurance in respect of cash kept at our Self-operated Outlets and Restaurants. During the Track Record Period, our Directors confirmed that there was no incident of any material cash misappropriation or theft of cash by our employees, customers or other third parties.

Prepaid vouchers

For FY2017, FY2018 and FY2019, we issued prepaid vouchers in the amounts of approximately S\$2,200, S\$2,000 and S\$650, respectively, for use across all Shihlin Outlets and Restaurant in Singapore and prepaid vouchers in the amounts of approximately MYR3,700, MYR5,700 and MYR780, respectively, for use across all Shihlin Outlets and Restaurants in Malaysia. Such prepaid vouchers were issued by our Company on a complimentary basis and typically in connection with customer complaints or for marketing purposes. As at 31 March 2019, we had outstanding prepaid vouchers with a total amount of approximately MYR50 for our Self-operated Outlets and Restaurants in Malaysia and no outstanding vouchers in Singapore. As at the Latest Practicable Date, there were no outstanding prepaid vouchers.

BUSINESS

OPERATING PERFORMANCE

Singapore

The table below sets forth the key operating data (in approximation to nearest whole number) in respect of our Self-operated Outlets/Restaurant in Singapore during the Track Record Period:

<u>Self-operated Outlet</u>	<u>Number of transactions</u>	<u>Number of operating days</u>	<u>Total revenue</u>	<u>Average daily revenue</u> <i>(Note 1)</i>	<u>Average transaction amount</u> <i>(Note 2)</i>	<u>Average number of transactions per day</u> <i>(Note 3)</i>	<u>Average daily rental expenses</u> <i>(Note 4)</i>
	<i>'000</i>	<i>(days)</i>	<i>\$\$'000</i>	<i>\$\$</i>	<i>\$\$</i>		<i>\$\$</i>
Self-operated Outlet B							
FY2017	57	360	298	827	5	158	184
FY2018	45	361	262	727	6	126	135
FY2019	48	360	265	737	6	133	119
Self-operated Outlet C							
FY2017	12	135	70	522	6	91	209
Self-operated Outlet D							
FY2017	90	362	498	1,375	6	248	228
FY2018	81	362	498	1,375	6	222	235
FY2019	89	362	542	1,498	6	245	236
Self-operated Outlet E							
FY2017	78	362	425	1,175	5	216	282
FY2018	73	348	384	1,104	5	209	294
FY2019	67	362	391	1,080	6	185	288
Self-operated Outlet F							
FY2017	26	82	140	1,702	5	318	244
FY2018	77	294	485	1,649	6	262	219
FY2019	89	362	519	1,435	6	245	213
Self-operated Outlet G							
FY2017	147	362	818	2,260	6	407	194
FY2018	128	362	738	2,040	6	355	190
FY2019	99	305	594	1,947	6	323	203
Self-operated Outlet H							
FY2017	174	362	1,022	2,824	6	480	268
FY2018	162	362	949	2,622	6	448	286
FY2019	154	363	929	2,560	6	424	277
Self-operated Outlet I							
FY2017	90	362	488	1,348	5	247	269
FY2018	32	145	195	1,347	6	221	291
Self-operated Outlet J							
FY2017	111	362	565	1,560	5	306	304
FY2018	95	362	552	1,526	6	261	316
FY2019	89	362	563	1,557	6	246	318
Self-operated Outlet K							
FY2017	97	301	519	1,724	5	322	217
FY2018	105	362	598	1,652	6	290	222
FY2019	109	363	623	1,716	6	301	218

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<u>Self-operated Outlet</u>	<u>Number of transactions</u>	<u>Number of operating days</u>	<u>Total revenue</u>	<u>Average daily revenue</u> <i>(Note 1)</i>	<u>Average transaction amount</u> <i>(Note 2)</i>	<u>Average number of transactions per day</u> <i>(Note 3)</i>	<u>Average daily rental expenses</u> <i>(Note 4)</i>
	<i>'000</i>	<i>(days)</i>	<i>\$\$'000</i>	<i>\$\$</i>	<i>\$\$</i>		<i>\$\$</i>
Self-operated Outlet L							
FY2017	79	209	440	2,107	6	376	233
FY2018	124	362	753	2,080	6	344	226
FY2019	139	363	821	2,261	6	384	240
Self-operated Outlet M							
FY2018	27	238	171	718	6	112	171
FY2019	33	360	207	576	6	93	172
Self-operated Outlet N							
FY2018	42	272	253	930	6	154	228
FY2019	60	362	363	1,003	6	165	231
Self-operated Outlet O							
FY2018	36	331	209	630	6	109	92
FY2019	47	362	260	717	5	131	92

Notes:

- (1) Average daily revenue is calculated by dividing the total revenue by the number of operating days.
- (2) Average transaction amount is calculated by dividing the total revenue by the total number of transactions.
- (3) Average number of transactions per day is calculated by dividing the number of transactions by the number of operating days.
- (4) Average daily rental expenses is calculated by dividing the total rental expenses accrued/paid for operation by the number of operating days.

The following table sets forth details of our same store revenue during the Track Record Period:

	FY2017	FY2018	FY2018	FY2019
<i>Existing stores opened prior to the Track Record Period</i>				
Number of same stores ⁽¹⁾	5		4	
Same store average daily revenue (S\$) ⁽²⁾	8,846	8,290	6,250	6,352
Same store revenue growth (%)		-6.3%		1.6%
<i>New stores opened during the Track Record Period</i>				
Number of same stores ⁽¹⁾		Nil		2
Same store average daily revenue (S\$) ⁽²⁾	—	—	3,732	3,976
Same store revenue growth (%)		—		6.5%

- (1) Included Self-operated Outlets in Singapore which had full year operation (excluding closure during certain public holidays) in both FY2017 and FY2018, and in both FY2018 and FY2019, respectively and excluded the stores that did not have full year performance in either or both year(s).
- (2) Refers to the aggregate gross average daily revenue from the same stores for the year indicated.

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While the market size of the fast food industry and Asian fast food industry in Singapore increased from 2017 to 2018, the aggregate gross average daily revenue for our existing same stores opened prior to the Track Record Period in Singapore for FY2017 and FY2018 decreased by approximately 6.3%, which was mainly because (i) Self-operated Outlet B recorded a decline in average daily revenue, which our Directors believe it was due to the competition of trendier malls in the vicinity leading to lower customer visits; (ii) Self-operated Outlet H recorded a decline in average daily revenue in FY2018, which our Directors believe was due to additional competition from new surrounding establishments, leading to lower customer visits; and (iii) Self-operated Outlet G recorded a lower average daily revenue in FY2018 due to a decline in customer visits as a result of the mall's ageing renovation.

The aggregate gross average daily revenue for our existing same stores opened prior to the Track Record Period in Singapore for FY2018 and FY2019 remained stable.

The table below sets forth a comparison of the operating profit (being outlet sales less cost of food and beverages, cost of packaging materials, rental expenses and outlet staff costs), operating margin and details of breakeven period and investment payback period (in approximation to nearest whole number) in respect of each of our Self-operated Outlet/Restaurant in Singapore during the Track Record Period:

Self-operated Outlet/Restaurant	FY2017		FY2018		FY2019		Breakeven period (Note 11) (month(s))	Investment payback period (Note 11) (month(s))
	Operating profit	Operating margin	Operating profit	Operating margin	Operating profit	Operating margin		
	S\$'000		S\$'000		S\$'000			
Self-operated Outlet B (Note 1)	46	15.6%	17	6.5%	41	15.5%	N/A	N/A
Self-operated Outlet C (Note 2)	(14)	(19.8%)	N/A	N/A	N/A	N/A	N/A	N/A
Self-operated Outlet D	107	21.4%	129	25.8%	185	34.1%	N/A	N/A
Self-operated Outlet E (Note 3)	72	16.9%	68	17.6%	54	13.9%	N/A	N/A
Self-operated Outlet F (Note 4)	35	25.4%	125	25.8%	126	24.3%	N/A	N/A
Self-operated Outlet G (Note 5)	320	39.1%	289	39.2%	216	36.4%	N/A	N/A
Self-operated Outlet H (Note 5)	375	36.7%	336	35.4%	363	39.1%	N/A	N/A
Self-operated Outlet I (Note 6)	81	16.6%	41	20.8%	N/A	N/A	N/A	N/A
Self-operated Outlet J	110	19.5%	148	26.8%	146	25.9%	N/A	N/A
Self-operated Outlet K (Note 7)	171	32.9%	159	26.5%	230	36.9%	1	1
Self-operated Outlet L (Notes 7 and 9)	126	28.6%	256	34.1%	333	40.5%	1	3
Self-operated Outlet M (Notes 8 and 9)	N/A	N/A	12	7.2%	10	4.7%	1	Yet to achieve
Self-operated Outlet N (Note 8)	N/A	N/A	32	12.8%	72	19.8%	2	4
Self-operated Outlet O (Notes 8 and 10)	N/A	N/A	16	7.8%	42	16.3%	2	16

Notes:

- (1) Self-operated Outlet B recorded a decrease in operating profit for FY2018 as compared to FY2017 mainly due to the decrease in number of customer visits due to the competition from trendier malls in the vicinity but subsequently increased back to nearly FY2017-level for FY2019, as we managed to negotiate for a lower rental rate.
- (2) Self-operated Outlet C was closed in August 2016.
- (3) Self-operated Outlet E recorded decreases in operating profit for FY2018 and FY2019 mainly due to the decrease in number of customer visits because of the opening of a regional hub nearby which may have attracted more customers, leading to lower customer traffic in the mall which the Outlet is situated at.

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- (4) Self-operated Outlet F recorded a relatively lower operating profit for FY2017 as compared to FY2018 and FY2019 mainly due to the fact that it was closed from around June 2016 to June 2017 due to the renovation of the shopping mall in which the Outlet was situated, resulted in a decrease in its number of operating days in FY2017.
- (5) Self-operated Outlet G and Self-operated Outlet H recorded higher operating profit and operating margin as compared to other Outlets mainly because of the higher number of customer visits as the Outlets are situated at densely populated areas of Singapore and near to transport hubs, hence generating higher average daily revenue to cover the fixed costs of the Outlets, such as rental expenses, and leading to relatively lower rental expenses as a percentage of the total revenue of the respective Outlets. Self-operated Outlet G recorded decreases in operating profit for FY2018 and FY2019 mainly because of the decreasing customer traffic contributed by the aged renovation of the shopping mall where the Outlet was situated, which was opened in 2007. The shopping mall subsequently closed for renovation from May to June 2018, resulted in a decrease in number of operating days of Self-operated Outlet G in FY2019.
- (6) Self-operated Outlet I was closed in September 2017 as the landlord did not renew the tenancy agreement with us upon its expiration.
- (7) Self-operated Outlet K and Self-operated Outlet L were opened during FY2017.
- (8) Self-operated Outlet M, Self-operated Outlet N and Self-operated Outlet O were opened during FY2018.
- (9) The operating margin for Self-operated Outlet M decreased from approximately 7.2% for FY2018 to approximately 4.7% for FY2019. Our Directors believe that the decrease was mainly due to the decrease in customer traffic in the vicinity leading to decrease in average number of transactions per day from 112 during FY2018 to 93 during FY2019. Self-operated Outlet M has yet to achieve investment payback as at the Latest Practicable Date because of relatively higher investment cost incurred as compared to Self-operated Outlets K and N opened during the Track Record Period that were taken over from Franchisees where our Group only paid a relatively nominal fee to acquire the then existing renovation and equipment; whereas Self-operated Outlet M was a new Outlet set up by our Group and we incurred higher investment cost, including renovation and equipment costs. Self-operated Outlet L was a new set up by our Group but it still managed to achieve relatively short investment payback period mainly because of its comparatively high average number of transactions per day as Self-operated Outlet L was situated at a densely populated area of Singapore and thus the number of transactions of Self-operated Outlet L increased during the Track Record Period and resulted in increases in operating profit and operating profit margin during the Track Record Period.
- (10) Self-operated Outlet O was taken over from Franchisee in May 2017. It had a longer investment payback period than other Self-operated Outlets opened during the Track Record Period due to lower customer flow in the vicinity.
- (11) These only refer to the Self-operated Outlets opened during the Track Record Period.

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West Malaysia

The table below sets forth the key operating data (in approximation to nearest whole number) in respect of our Self-operated Restaurants in West Malaysia during the Track Record Period:

<u>Self-operated Restaurant</u>	<u>Number of transactions</u>	<u>Number of operating days</u>	<u>Total revenue</u>	<u>Average daily revenue</u>	<u>Average transaction amount</u>	<u>Average number of transactions per day</u>	<u>Average daily rental expenses</u>
	<i>'000</i>	<i>(days)</i>	<i>\$\$'000</i>	<i>\$\$</i>	<i>\$\$</i>		<i>\$\$</i>
Self-operated Restaurant A							
FY2017	96	341	388	1,137	4	282	160
FY2018	101	365	429	1,174	4	278	141
FY2019	102	365	468	1,283	5	279	127
Self-operated Restaurant B							
FY2017	24	363	91	250	4	66	24
FY2018	22	363	86	238	4	61	28
FY2019	23	362	96	265	4	65	32
Self-operated Restaurant C							
FY2017	91	363	361	994	4	251	124
FY2018	92	365	388	1,063	4	252	127
FY2019	95	365	436	1,195	5	259	142
Self-operated Restaurant D							
FY2017	54	363	198	545	4	148	70
FY2018	45	365	192	527	4	124	69
FY2019	48	365	209	574	4	130	71
Self-operated Restaurant E							
FY2017	103	363	422	1,164	4	284	138
FY2018	93	365	417	1,144	5	255	129
FY2019	87	349	420	1,202	5	248	163
Self-operated Restaurant F							
FY2018	70	335	288	861	4	210	141
FY2019	84	365	347	952	4	231	147
Self-operated Restaurant G							
FY2018	22	138	85	613	4	161	54
FY2019	65	350	251	717	4	186	111
Self-operated Restaurant H							
FY2018	23	137	105	769	5	170	122
FY2019	64	365	275	755	4	175	126
Self-operated Restaurant I							
FY2018	27	196	97	493	4	136	96
FY2019	50	363	183	505	4	138	90
Self-operated Restaurant J							
FY2018	10	83	45	547	5	123	85
FY2019	39	363	170	468	4	108	70
Self-operated Restaurant K							
FY2018	20	137	86	625	4	147	77
FY2019	55	365	226	619	4	150	71
Self-operated Restaurant L							
FY2019	33	272	136	498	4	123	63
Self-operated Restaurant M							
FY2019	22	190	93	488	4	118	25

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Notes:

- (1) Average daily revenue is calculated by dividing the total revenue by the number of operating days.
- (2) Average transaction amount is calculated by dividing the total revenue by the total number of transactions.
- (3) Average number of transactions per day is calculated by dividing the number of transactions by the number of operating days.
- (4) Average daily rental expenses is calculated by dividing the total rental expenses accrued/paid for operation by the number of operating days.

The following table sets forth details of our same store revenue during the Track Record Period:

	FY2017	FY2018	FY2018	FY2019
<i>Existing stores opened prior to the Track Record Period</i>				
Number of same stores ⁽¹⁾	4	4	4	4
Same store average daily revenue (S\$) ⁽²⁾	2,953	2,972	3,002	3,383
Same store revenue growth (%)	0.6%		12.7%	
<i>New stores opened during the Track Record Period</i>				
Number of same stores ⁽¹⁾	Nil	Nil	5	5
Same store average daily revenue (S\$) ⁽²⁾	—	—	3,295	3,299
Same store revenue growth (%)	—	—	0.1%	

- (1) Included Self-operated Restaurants in West Malaysia which had full year operation (excluding closure during certain public holidays) in both FY2017 and FY2018, and in both FY2018 and FY2019, respectively and excluded the stores that did not have full year performance in either or both year(s).
- (2) Refers to the aggregate gross average daily revenue from the same stores for the year indicated.

The aggregate gross average daily revenue for our existing same stores opened prior to the Track Record Period in Malaysia for FY2017 and FY2018 remained relatively stable and recorded a small growth of approximately 0.6%.

The aggregate gross average daily revenue for our existing same stores opened prior to the Track Record Period in West Malaysia for FY2018 and FY2019 increased by approximately 12.7%, which was mainly attributable to the higher average daily revenue of most of our Self-operated Restaurants as a result of increased number of customer visits.

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The table below sets forth a comparison of the operating profit (being outlet sales less cost of food and beverages, cost of packaging materials, rental expenses and outlet staff costs), operating margin and detail of breakeven period and investment payback (in approximately to nearest whole number) of our Self-operated Restaurants in West Malaysia during the Track Record Period:

<u>Self-operated Restaurants</u>	FY2017		FY2018		FY2019		Break even period (Note 9) (month(s))	Investment payback period (Note 9) (month(s))
	Operating profit	Operating margin	Operating profit	Operating margin	Operating profit	Operating margin		
	S\$'000		S\$'000		S\$'000			
Self-operated Restaurant A (Note 1)	57	14.7%	100	23.4%	135	28.9%	N/A	N/A
Self-operated Restaurant B	14	14.9%	12	14.1%	20	20.5%	N/A	N/A
Self-operated Restaurant C	124	34.5%	122	31.4%	142	32.6%	N/A	N/A
Self-operated Restaurant D	59	30.0%	45	23.6%	54	25.6%	N/A	N/A
Self-operated Restaurant E (Note 2)	155	36.7%	127	30.5%	103	24.6%	N/A	N/A
Self-operated Restaurant F (Note 3)	—	—	73	25.3%	76	21.9%	2	7
Self-operated Restaurant G (Note 3)	—	—	12	13.7%	39	15.4%	2	3
Self-operated Restaurant H (Notes 3 and 4)	—	—	5	4.4%	49	17.6%	2	13
Self-operated Restaurant I (Note 3)	—	—	7	6.8%	33	18.0%	2	4
Self-operated Restaurant J (Notes 3 and 5)	—	—	1	2.2%	59	34.8%	2	16
Self-operated Restaurant K (Notes 3 and 6)	—	—	7	8.0%	49	21.5%	2	16
Self-operated Restaurant L (Note 7)	—	—	—	—	26	19.4%	1	12
Self-operated Restaurant M (Note 8)	—	—	—	—	22	23.6%	2	Yet to achieve

Notes:

- (1) Self-operated Restaurant A recorded relatively lower operating profit for FY2017 than FY2018 and FY2019 mainly due to temporary closure for renovation in September and October 2016.
- (2) Self-operated Restaurant E recorded decreases in operating profit for FY2018 and FY2019 mainly due to the decrease in average number of transactions per day from 284 in FY2017 to 255 in FY2018 as a result of Self-operated Restaurant E's ageing renovation. Self-operated Restaurant E was subsequently renovated in April 2018, resulting in lower number of operating days in FY2019.
- (3) Self-operated Restaurant F, Self-operated Restaurant G, Self-operated Restaurant H, Self-operated Restaurant I, Self-operated Restaurant J and Self-operated Restaurant K were opened during FY2018.
- (4) Self-operated restaurant H recorded longer investment payback period due to significant investment cost incurred in replacing damaged equipment and aged renovation when we took over the Restaurant from Franchisee.
- (5) Self-operated Restaurant J recorded longer investment payback period because of higher investment cost as compared to Self-operated Restaurants F, G and I that were taken over from Franchisees where our Group only paid a relatively nominal amount to acquire the then existing renovation and equipment; whereas Self-operated Restaurant J was a new Restaurant set up by our Group and we incurred higher investment costs, including renovation and equipment costs.
- (6) Self-operated Restaurant K recorded longer investment payback period due to significant investment cost incurred on new renovation and equipment as the landlord re-assigned a new location to us when we took over the Outlet from our Franchisee.

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- (7) We took over Self-operated Restaurant L from Franchisee in FY2019. Self-operated Restaurant L recorded longer investment payback period due to significant investment cost incurred in replacing damaged equipment and aged renovation when we took over the Restaurant from Franchisee.
- (8) Self-operated Restaurant M was set up by our Group during FY2019. It has yet to achieve investment payback as at the Latest Practicable Date because it was a new set up by our Group and we incurred higher investment cost.
- (9) These only refer to the Self-operated Restaurants that opened during the Track Record Period.

Investment payback and breakeven

Our Directors consider that a Self-operated Outlet or Self-operated Restaurant achieves investment payback when the accumulated net cash inflow since first commencement of business operations is able to cover the total investment amount. The time required to achieve investment payback varies depending on various factors, including (i) the capital investment such as renovation costs, acquisition costs of kitchen equipment, fixture and furniture; and (ii) the size, venue and customer traffic.

As at the Latest Practicable Date, (i) out of our five Self-operated Outlets in Singapore that opened or took over during the Track Record Period, we have achieved investment payback in respect of four Self-operated Outlets with an investment payback period ranging from one to 16 months; and (ii) out of our eight Self-operated Restaurants in West Malaysia that opened or took over during the Track Record Period, we have achieved investment payback in respect of seven Self-operated Restaurants with an investment payback period ranging from three to 16 months. The investment payback period of new Outlets and Restaurants set up by our Group will generally be longer than that of Outlets and Restaurants we took over from Franchisees because we incur higher investment cost for renovation and equipment for brand new Outlets and Restaurants. The investment payback periods of our Self-operated Outlets and Restaurants in Singapore and West Malaysia are shorter than the fast food industry average which ranged between 25 months to 33 months for Singapore and between 18 months and 36 months for Malaysia in 2018, according to the Frost & Sullivan Report.

Our Directors consider that a Self-operated Outlet or Self-operated Restaurant achieves breakeven when its monthly revenue is able to cover its monthly operating costs and expenses on an accounting basis. The time required to achieve breakeven varies depending on various factors, including the size, venue and customer traffic.

As at the Latest Practicable Date, (i) all of our five Self-operated Outlets in Singapore that opened or took over during the Track Record Period have achieved breakeven with a breakeven period ranging from one to two months; and (ii) all of our eight Self-operated Restaurants in West Malaysia that opened or took over during the Track Record Period have achieved breakeven with a breakeven period ranging from one to two months. Taking into account the monthly operating costs and expenses and the scale of each Self-operated Outlet or Self-operated Restaurant, our Directors consider the breakeven periods for our Self-operated Outlets in Singapore and Self-operated Restaurants in West Malaysia are fair and reasonable. The breakeven period of our Self-operated Outlets and Restaurants in Singapore and West Malaysia are in line with the fast food industry average which ranged between two months to three months in both Singapore and Malaysia in 2018, according to the Frost & Sullivan Report.

NON-SELF-OPERATED OUTLETS AND RESTAURANTS

Our first Non-self-operated Outlet was opened on 1 August 2004 in Singapore with a primary objective to expand our network of Shihlin Outlets and Restaurants effectively and to strengthen our corporate image with enhanced geographical reach. Furthermore, our first Non-self-operated Restaurant was opened on 23 November 2006 in West Malaysia. Most of our Non-self-operated Outlets and Restaurants are targeting at walk-in diners, customers at shopping malls and transportation hub. The menu at our Non-self-operated Outlets and Restaurants typically entailed our core Snacks and Beverages, such as our XXL Crispy Chicken and Handmade Oyster Mee Sua with some customised country-specific Snacks and Beverages, to cater towards local tastes and preferences.

Revenue derived from our franchise/licence model amounted to approximately S\$8.8 million, S\$10.0 million and S\$10.8 million for FY2017, FY2018 and FY2019, respectively, accounting for approximately 56.1%, 53.7% and 50.7% of our total revenue, respectively. As at the Latest Practicable Date, there were a total of 199 Non-self-operated Outlets and Restaurants comprising two franchise Outlets and three franchise Restaurants in Singapore; three franchise Outlets and 62 franchise Restaurants in West Malaysia; one franchise Outlet and two franchise Restaurants in East Malaysia; 20 sub-licence Outlets in Indonesia; 101 sub-licence Restaurants in Indonesia; three franchise Restaurants in Northern California; and two sub-franchise Restaurants in Northern California.

Our Directors confirmed that the Non-self-operated arrangements are in compliance with all applicable laws and regulations in all material respects in the respective jurisdictions during the Track Record Period.

Our Directors confirmed that none of the franchising or licensing arrangements (as the case may be) in Singapore, Malaysia, the United States or Indonesia creates any principal/agency arrangements thereunder. During the Track Record Period and up to the Latest Practicable Date, no claims have been filed against our Group and we have not been involved in any litigations or investigations for any acts or non-compliances in connection with the Non-self-operated Outlets and Restaurants. To the best knowledge and information of our Directors, there were no material litigation in relation to the operations of the Non-self-operated Outlets and Restaurants as at the Latest Practicable Date.

Single Unit Franchise and Multiple Units Franchise arrangements

Pursuant to our Units Franchises arrangement, Franchisee is granted the right to operate a single Non-self-operated Outlet or Restaurant or multiple Non-self-operated Outlets and/or Restaurants at designated locations. Units Franchisee owns, manages and operates the Non-self-operated Outlet or Restaurant with technical and operational support from our Group, including training, operations manuals, access to our supply and distribution network and advertising and promotion assistance. Our Units Franchisee is solely responsible for all capital expenditures in connection with the opening of the Non-self-operated Outlet or Restaurant including renovation and equipment, as well as all ongoing operating expenses in connection therewith. Our Units Franchisee retains all operating profits generated therefrom subsequent to payments to our Group. For FY2017, FY2018 and FY2019, the renewal rates of our Single Unit Franchise and Multiple Units Franchise in Singapore and West Malaysia upon expiration was approximately 83.3%, 100.0% and 71.4%, respectively.

Licence arrangement

As at the Latest Practicable Date, we have entered into one Master Licence arrangement. Pursuant to our Indonesia Master Licence Agreement, the Licensee is granted a licence to sell our Snacks Products and Beverages Products at Outlet(s) or Restaurant(s) opened under our brand name, with technical assistance and operational support from our Group such as training and supervision, and no access to our advertising and promotional materials. Furthermore, the Licensee may alter the flavours and portioning of the Snacks Products and Beverages Products as they consider appropriate to cater to local taste preference. Save as disclosed, there are no material differences between the terms and conditions of the licence arrangement with the Master Licensee and the franchise arrangements with Franchisees. For the reason why our Company opted for a licensing model in Indonesia, please refer to the section headed “Regulatory Overview — Laws and regulations in Indonesia — Licensing” of this prospectus. As at the Latest Practicable Date, there were 20 sub-licence Outlets and 101 sub-licence Restaurants opened in Indonesia. For details of the salient terms of the Indonesia Master Licence Agreement, please refer to the paragraph headed “Non-self-operated Outlets and Restaurants — Master Franchises and Master Licence” in this section.

The Master Licensee has certain discretion and flexibility to optimise the network and distribution of the Non-self-operated Outlets and Restaurants as the Master Licensee considered appropriate in light of the local demand, however, our Group retains the right to reject any sub-licensee should we reasonably determine that such potential sub-licensee not suitable. Given the average monthly royalty income generated per Non-self-operated Outlet/Restaurant in Indonesia slightly decreased by approximately 2.3% from FY2017 to FY2018 and further increased by approximately 10.5% from FY2018 to FY2019, our Directors are of the view that there was no cannibalisation issue among Non-self-operated Outlets/Restaurants in Indonesia during the Track Record Period.

Master Franchises and Master Licence

As we do not have any physical presence or business operations outside Singapore and West Malaysia, we rely on the franchise/licence model for expansion of our international presence. Approximately 19.9%, 18.6% and 18.1% of our revenue during FY2017, FY2018 and FY2019, respectively were generated from overseas markets outside Singapore and Malaysia. For risks associated with our reliance, please refer to the section headed “Risk Factors — Risks relating to our business — We rely on Non-self-operated Outlets and Restaurants, which are not operated by our Group” of this prospectus.

Movements in the number of Master Franchisees, Master Licensee, Franchisees, sub-franchisees and sub-licensees

As at the Latest Practicable Date, we had three Master Franchisees and one Master Licensee. As at 31 March 2016, we granted the Northern California Master Franchise, the East Malaysia Master Franchise and the Indonesia Master Licence, and there have been no changes thereunder during the Track Record Period.

In March 2019, we entered into the Egypt Master Franchise. The Egypt Master Franchisee is a limited liability company incorporated in Egypt in June 2018. According to information provided by the Egypt Master Franchise, one of the shareholders of the Egypt Master Franchisee (i) owns a company which operates one Middle-Eastern and Egyptian restaurant in Jakarta, Indonesia since 2012, and

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another company which engages in manufacturing pulp and disposable paper products for the food industry since 2011; and (ii) has up to seven years' experience in food and beverage industry. According to the Frost & Sullivan Report, during 2014 and 2018, the number of tourist arrivals from the PRC grew at a CAGR of approximately 66.5%, reaching about 500,000 in 2018 and such trend is expected to continue in the foreseeable future due to its exotic attractiveness to Chinese tourists, which indicates there is growing demand for Asian flavour food and beverages including Taiwanese food and beverages as it is quite to Chinese tourists' taste. Further, as fried chicken is popular in Egypt with many different restaurant chains (such as Chicken Fil-A, Zack's and KFC) which offer Western style fried chicken are opened up, we are of the view that Asian style fried chicken will be in demand in Egypt. Concurrently, our Group also considered that the increase in Asian tourists, as a result of China's bilateral tourism relations with Egypt, will create additional demand for Asian fast food as it will provide a sense of familiarity to Asian tourists in Egypt. As such, our Directors are of the view that there will be sufficient demand for Taiwanese Snacks and Beverages.

As at the Latest Practicable Date, there were (i) two Non-self-operated Outlets and three Non-self-operated Restaurants in Singapore operated by Franchisees; (ii) three Non-self-operated Outlets and 62 Non-self-operated Restaurants in West Malaysia operated by Franchisees; (iii) one Non-self-operated Outlet and two Non-self-operated Restaurants in East Malaysia operated by the Master Franchisee; (iv) five Non-self-operated Restaurants in the United States, of which three are operated by the Master Franchisee and two are operated by a sub-franchisee; and (v) 20 Non-self-operated Outlets and 101 Non-self-operated Restaurants in Indonesia, all of which are operated by sub-licensees. The table below sets out the movements in the number of Franchisees, sub-franchisees and sub-licensees during the Track Record Period taking note that some of the Franchisees or sub-licensees operate more than one Non-self-operated Outlet and/or Restaurant:

		Singapore	Malaysia	Indonesia	United States	Total
As at 31 March 2016	Franchisee(s)	9	52	—	—	61
	Sub-franchisee(s)	—	2	—	—	2
	Sub-licensee(s)	—	—	40	—	40
Addition	Franchisee(s)	—	5	—	1	6
	Sub-franchisee(s)	—	—	—	—	—
	Sub-licensee(s)	—	—	—	—	—
Termination	Franchisee(s)	4	7	—	—	11
	Sub-franchisee(s)	—	2	—	—	2
	Sub-licensee(s)	—	—	3	—	3
As at 31 March 2017	Franchisee(s)	5	50	—	1	56
	Sub-franchisee(s)	—	—	—	—	—
	Sub-licensee(s)	—	—	37	—	37
Addition	Franchisee(s)	3	6	—	—	9
	Sub-franchisee(s)	—	—	—	—	—
	Sub-licensee(s)	—	—	—	—	—

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		Singapore	Malaysia	Indonesia	United States	Total
Termination	Franchisee(s)	4	4	—	—	8
	Sub-franchisee(s)	—	—	—	—	—
	Sub-licensee(s)	—	—	3	—	3
As at 31 March 2018	Franchisee(s)	4	52	—	1	57
	Sub-franchisee(s)	—	—	—	—	—
	Sub-licensee(s)	—	—	34	—	34
Addition	Franchisee(s)	2	11	—	—	13
	Sub-franchisee(s)	—	—	—	—	—
	Sub-licensee(s)	—	—	1	—	1
Termination	Franchisee(s)	—	7	—	—	7
	Sub-franchisee(s)	—	—	—	—	—
	Sub-licensee(s)	—	—	2	—	2
As at 31 March 2019	Franchisee(s)	6	56	—	1	63
	Sub-franchisee(s)	—	—	—	—	—
	Sub-licensee(s)	—	—	33	—	33
Addition	Franchisee(s)	1	5	—	—	6
	Sub-franchisee(s)	—	—	—	2	2
	Sub-licensee(s)	—	—	—	—	—
Termination	Franchisee(s)	1	1	—	—	2
	Sub-franchisee(s)	—	—	—	—	—
	Sub-licensee(s)	—	—	—	—	—
As at the Latest						
Practicable Date	Franchisee(s)	6	60	—	1	67
	Sub-franchisee(s)	—	—	—	2	2
	Sub-licensee(s)	—	—	33	—	33

Note: The above table is based on the number of contracting parties and for illustrative purpose only given each Franchisee, sub-franchisee or sub-licensee may enter into one or more Franchise Agreement(s) or sub-franchise agreements or sub-licence agreements (as the case may be) individually and/or together with other Franchisee(s), sub-franchisee(s) or sub-licensee(s) (as the case may be). As such, the number of Franchisees, sub-franchisees or sub-licensees may not correspond to the movement of Shihlin Outlets and Restaurants which attributes to the sources of revenue of our franchise/licence operation.

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The table below sets out a summary of the turnover rates for the Franchisees, sub-franchisees and sub-licensees during the Track Record Period:

	FY2017	FY2018	FY2019
Franchisees in Singapore	44.4%	50.0%	N/A
Franchisees in Malaysia	12.3%	7.1%	11.1%
Sub-franchisees in Malaysia	100.0%	N/A	N/A
Franchisees/sub-franchisee in the United States	N/A	N/A	N/A
Sub-licensees in Indonesia	7.5%	8.1%	5.7%

The turnover rate for Franchisees in Singapore increased by approximately 5.6 percentage points from FY2017 to FY2018. For FY2017, four Franchise Agreements were terminated in Singapore due to (i) the expiry of lease; (ii) the Franchisee considered the performance of the Outlet to be unsatisfactory; (iii) personal reasons of the Franchisee and we took over the Outlet as the lease was signed between the landlord and our Group; and (iv) the Franchisee considered the performance of the Outlet to be unsatisfactory and we took over the Outlet thereafter. For FY2018, four Franchise Agreements were terminated in Singapore due to (i) the expiry of lease; (ii) two Franchised Outlets transferred from one party to another; and (iii) personal reasons of the Franchisee and our Group took over the Outlet thereafter.

The turnover rate for Franchisees in Malaysia decreased by approximately 5.2 percentage points from FY2017 to FY2018. For FY2017, seven Franchise Agreements were terminated in Malaysia due to (i) three of the Franchisees considered the performance of the Outlets to be unsatisfactory; (ii) personal reasons of two Franchisees; (iii) expiry of lease; and (iv) expiry of Franchise Agreement. For FY2018, seven Franchise Agreements were terminated in Malaysia due to (i) two of the Franchisees considered the performance of the Outlets to be unsatisfactory; (ii) personal reasons of three Franchisees; and (iii) expiry of two leases of which our Group took over one of the Outlets thereafter.

The turnover rate for sub-franchisees in Malaysia was 100.0% for FY2017 as (i) one of the two sub-franchisees considered the performance of the Outlet to be unsatisfactory; and (ii) the remaining sub-franchisee terminated due to personal reasons.

The turnover rates for sub-licensees in Indonesia for FY2017 and FY2018 remained relatively stable.

Our Directors confirmed that, to their best knowledge and information, (i) each of the Master Franchisees, Master Licensee, Franchisees and sub-franchisees are Independent Third Parties; and (ii) transactions with each of our Master Franchisees, Master Licensee and Franchisees are on normal commercial terms which are fair and reasonable to our Group. We did not have any transactions with sub-franchisees and sub-licensees, who transacted with their respective Master Franchisees or Master Licensee.

Management of Franchisees and/or Licensee

We enter into formal agreements with Franchisees/Licensee to govern the operators of the Non-self-operated Outlet or Restaurant. Each Franchisee and/or Licensee is required to enter into a Franchise Agreement and/or Licence Agreement with our Group for the franchising and/or licensing of the Outlet(s)/Restaurant(s). For those Outlet(s)/Restaurants which a Franchisee partnered with other Franchisee(s) for the franchising of other Outlet(s)/Restaurants(s), separate Franchise Agreements will be entered into between our Group with the group of the Franchisees. The operations of our Franchisees and Licensee are monitored by our operations team led by our chief executive officer, Mr. Wong and head of operations, Mr. Wong Chee Keong, whose experience and qualifications are set out in the sections headed “Directors and Senior Management — Directors” and “Directors and Senior Management — Senior management” in this prospectus. We have implemented the following measures to manage and monitor the operation of our Franchisees and Licensee and to detect any non-compliance with the Franchise Agreements and Licence Agreement:

- **Trainings:** We will train key personnel of our Franchisees and Licensee in relevant managerial and operational aspects of the franchise/licence, which aim to enhance their skills and knowledge. Our training typically comprises (i) a compulsory 12-day intensive induction training, (ii) regular refreshment training sessions, and (iii) requisite training on new products we offer before product launch, depending on our manpower and resources at the relevant time. Our Master Franchisees and Licensee are required to ensure there is a trained manager who had been certified by Master Franchisee or Licensee to supervise operations at each sub-franchise or sub-licence Outlet or Restaurant, and ensure employees at each sub-franchise or sub-licence Outlet or Restaurant must be trained by Master Franchisee or Licensee to attain a reasonable level of competency before work. We will also consider to conduct additional trainings if we are not satisfied to ensure the quality of key personnel of Franchisees or Licensee.
- **Reports:** Our operations team will conduct sales and operations performance review based on (i) monthly sales reports submitted by our Franchisees and Licensee to our Group, which will be audited periodically by our operations team; and (ii) mystery shopper reports prepared by third parties appointed by our Group to audit the food and service quality of the Non-self-operated Outlets and Restaurants from time to time. The sales reports submitted by our Franchisees and/or Licensee contain the outlet (including sub-franchise and sub-licence Outlets and Restaurants) daily and monthly sales amount and number of total outlet transaction of the month. Our operations team will periodically audit Franchisees/Licensee by comparing their total sales volume against total supplies ordered to identify any unusual usage in order to check whether they were serving correctly. Our Group will also work with the Franchisees/Licensee on promotions and/or recipes to improve sales. We will evaluate and monitor overall performance based on sales performance, creditworthiness, customer relationships and review of customer complaints through monitoring social media posts, as well as customer feedbacks received from our corporate website to flag out any outlets that are underperforming.

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- **Communications:** We regularly reach out to and liaise with our Franchisees and Licensee with regards their business operations, sales volumes, inventory levels and marketing and promotional activities. Through frequent communications, we believe we will be able to develop our relationships with our Franchisees and Licensee and assist our understanding of the operations of our Franchisees and Licensee. In addition, we strive to arrange at least one face-to-face meeting with our Franchisees and Licensee per year.
- **Inspections and visits:** We seek to arrange our operations personnel to conduct physical inspections at the Non-self-operated Outlets and Restaurants once every one to two months in Singapore and West Malaysia and once every nine to twelve months in respect of other Non-self-operated Outlets and Restaurants and to engage mystery shopper to visit our Non-self-operated Outlets and Restaurants once every one to two months in Singapore and West Malaysia. During the Track Record Period, we conducted inspection visits at the Non-self-operated Outlets and Restaurants around once every one month and two months in Singapore and Malaysia, respectively and conducted visits to the Non-self-operated Outlets and Restaurants in Indonesia and United States once a year to inspect the sales performance and overall operations management. Our operations team will periodically view Unit Franchisees' surveillance records to ensure that they are conforming to our required standards.

We do not normally conduct evaluation on potential sub-franchisees and sub-licensees as it is the roles and responsibilities of the Master Franchisees and the Master Licensee to conduct their own evaluation on the suitability and ensure their respective sub-franchisees and sub-licensees do not operate in a manner that will breach the Master Franchise Agreements and our agreement with the Master Licensee, respectively. We retain the rights to terminate our agreement with the Master Franchisees or Master Licensee or to require the Master Franchisee or the Master Licensee to reject any sub-franchisee or sub-licensee whose performance will put the Master Franchisees or Master Licensee in breach of the Master Franchise Agreements or Licence Agreement (as the case may be). In exceptional circumstances such as receiving serious complaint, we may consider to conduct an internal evaluation of a specific sub-franchisee or sub-licensee. We do not specify the circumstances under which the Master Franchisees or the Master Licensee may or should appoint a sub-franchisee or sub-licensee.

Sub-franchisees and sub-licensees

We rely on our Master Franchisees and Master Licensee to exercise the selection of its sub-franchisees or sub-licensees (subject to our right to reasonably reject) and to monitor, oversee and supervise the opening of the Non-self-operated Outlets or Restaurants.

While we do not have direct contractual relationship with the sub-franchisees or sub-licensees, the Master Franchisees and Master Licensee are, pursuant to the terms of the Master Franchise Agreements and Indonesia Master Licence Agreement, obliged to, among others, maintain an active role in the management and operations of the Shihlin Outlets and Restaurants, which shall be in accordance with all requirements of the Master Franchise Agreements and Indonesia Master Licence Agreement, including but not limited to (a) providing and serving only products specified and approved by us in writing; (b) purchasing products from us or from the designated or approved suppliers; (c) maintaining sufficient food and beverage supplies and packing materials and employ adequate personnel so as to operate the Shihlin Outlets and Restaurants at maximum capacity and efficiency; (d) use of the system and trademarks in accordance with the terms; (e) ensuring there is a trained manager who had been certified

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by Master Franchisee or Master Licensee to supervise operations at each sub-franchise or sub-licence Outlet or Restaurant; (f) ensuring employees at each sub-franchise or sub-licence Outlet or Restaurant must be trained by Master Franchisee or Master Licensee to attain a reasonable level of competency before work; and (g) conducting inspections and monitoring performance of the employees as well as the operations at each sub-franchise or sub-licence Outlet or Restaurant from time to time. We also require our Master Franchisees and Master Licensee to undertake all actions to protect our rights in the relevant territory and to indemnify our Group against any direct, indirect damages or liabilities arising from the operations of any sub-franchise or sub-licence Outlet or Restaurants. In addition to relying solely on our Master Franchisees and Master Licensee to manage and monitor the operations of the sub-franchisees and sub-licensees, our operations team will also (i) conduct sales and operations performance review of the sub-franchisees and sub-licensees based on the monthly sales reports submitted by our Master Franchisees and Licensee; (ii) liaise with our Master Franchisees and Master Licensee with regards the business operations, sales volumes, inventories and management of the sub-franchisees and sub-licensees to ensure our Master Franchisees and Master Licensee maintains continuous communications with and supervision on the sub-franchisees and sub-licensees; and (iii) conduct inspections at the Non-Self-operated Outlets and Restaurants of selected sub-franchisees and sub-licensees during our meetings with our Master Franchisees and Master Licensee. As such, our Directors are of the view that our Group exerted sufficient control over Master Franchisee or Master Licensee on their overseeing and supervision of the sub-franchisees or sub-licensees as well as protecting the brand image of our Group.

We did not derive revenue from the sub-franchisees or sub-licensees. We did not charge advertising and promotion fees on the Master Licence given it is responsible for the marketing activities in Indonesia.

In addition, though we do not manage, monitor, control or otherwise review the inventory levels of the sub-franchisees or sub-licensees, as the sub-franchisees or sub-licensees would procure products through the Master Franchisees or Master Licensee, we closely monitor the pattern of orders from Master Franchisees or Master Licensee, which its order include the orders from sub-franchisees or sub-licensees, and we would liaise with the Master Franchisees or Master Licensee if we note abnormalities in the sales pattern.

Moreover, we conduct annual visit to the Non-self-operated Outlets and Restaurants in Indonesia to inspect the overall operations management.

Given the strict operational requirements imposed by our Group on the Master Franchisees and the Master Licensee, and all the contractual obligations owed by the Master Franchisees and Master Licensee to our Group pursuant to the Franchise Agreements and the Indonesia Master Licence Agreement, our Group grants reasonable autonomy to the Master Franchisees and the Master Licensee under the Franchise Agreements and the Indonesia Master Licence Agreement so that the Master Franchisees and the Master Licensee can execute the franchising/licensing arrangement more efficiently in their respective regions whereas our Group remains to have the ultimate control over the franchising/licensing arrangement. Our Directors have confirmed that they are not aware of any material breaches by the Master Franchisees or the Master Licensee under the relevant Master Franchise Agreements or Indonesia Master Licence Agreement, respectively during the Track Record Period. Although it is the discretion of the Master Franchisees and the Master Licensee and/or sub-franchisees/sub-licensees to decide on how to maximise the revenue and growth of the Shihlin Outlets and Restaurants in their respective regions, our Directors believe that there is a proper alignment of interests in maximising

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revenue and growth between the Master Franchisees/Master Licensee, sub-franchisees/sub-licensees and our Group. Our Directors are of the view that the business objectives of the Master Franchisees and the Master Licensee included expansion of the business so as to maximise its revenue. Given we generate revenue from sales of products to and Franchise Fees and Licence Fees from the Master Franchisees and Master Licensee, respectively, we will generate higher revenue if the sales performance of the Master Franchisees or Master Licensee and its sub-franchisees or sub-licensees is better. Thus, our Directors consider the business goal of maximising revenue of the Master Franchisees or Master Licensee and our Group are in line.

We mainly rely on our Master Franchisees and Master Licensee to protect our intellectual property rights in the relevant geographic region by ensuring proper use of our intellectual property rights as permitted and to identify any infringements in the local region where they operate. We will be informed by our Master Franchisees and Master Licensee of the proposed use of our intellectual property rights upon the opening of any Outlet/Restaurant. We also require our Master Franchisees, Master Licensee and Franchisees to report to our Group of their respective uses of our brand from time to time upon request. In addition, we require the Master Franchisees, Master Licensee, Franchisees, sub-franchisees and sub-licensees via the Master Franchisees and the Master Licensee to seek our approval in respect of any use of our intellectual property rights which substantially deviates from the proposed use as informed to us upon the opening of the Outlet/Restaurant or is inconsistent with the relevant Franchise Agreement or Licence Agreement.

Based on our due and careful enquiry with the Master Licensee, the historical renewal rates for licences under the Indonesia Master Licence were approximately 60.0%, 80.0% and 71.4% for FY2017, FY2018 and FY2019, respectively, which were calculated by dividing the sub-licences renewed after expiry by total sub-licences expired during the respective year.

All Non-self-operated Outlet(s)/Restaurant(s) in Malaysia were operated by the respective Franchisee(s) during the Track Record Period, save for two which were operated by the sub-franchisees under the East Malaysia Master Franchise and closed in October 2016 and February 2017, respectively without renewal. All Non-self-operated Outlet(s)/Restaurant(s) in the United States were operated directly by the Franchisee during the Track Record Period. Subsequent to the Track Record Period and up to the Latest Practicable Date, the two new Non-Self-operated Restaurants opened in Northern California were operated by sub-franchisees under the Northern California Master Franchise and the sub-franchises were not expired and not subject to renewal up to the Latest Practicable Date.

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The table below sets forth the salient terms of our agreements of (i) Units Franchises; (ii) Northern California Master Franchise; (iii) East Malaysia Master Franchise; and (iv) Indonesia Master Licence:

	Units Franchises in Singapore, West Malaysia and Brunei	Northern California Master Franchise	East Malaysia Master Franchise	Indonesia Master Licence	Egypt Master Franchise
(i) Duration	Typically five years, subject to renewal.	Ten years expiring in 2026, subject to renewal.	Five years expiring in 2020, subject to renewal.	Eight years from effective date and expiring in 2022.	Eight years expiring in 2027, subject to renewal.
(ii) Rights of Licensee/ Franchisee	Right to establish and operate either (a) a single Non-self-operated Outlet/Restaurant or (b) multiple Non-self-operated Outlets and/or Restaurants at specified locations during the effective term.	Right to establish and/or operate and/or sell as many Single Unit Franchise as desired in Northern California only.	Right to establish and/or operate and/or sub-franchise as many Single Unit Franchise as desired in only East Malaysia.	Right to use the system, intellectual property rights, symbols, names, registered trademarks, patents and logos in connection with operation of Shihlin Outlets and Restaurants in Indonesia, and the rights to grant sub-licenses to any sub-licensees.	Right to establish and/or operate and/or sub-Franchise as many Single Unit Franchise as desired in Egypt. Subject to outlet fee of USD7,000 per outlet opened, after the initial 12 outlets.
(iii) Exclusivity rights	Typically within the same building.	Within Northern California.	Within East Malaysia.	Within Indonesia.	Within Egypt.
(iv) Other obligations and responsibilities of Franchisee/Licensee					
— Records and reports	Prepare daily sales reports and monthly sales reports to be submitted to our Group.	Complete and submit monthly report to our Group and remit payment for royalty fees.	Complete and submit monthly report to our Group and remit payment for royalty fees.	Maintain or procure to maintain all the books and records, and a monthly sales report to be submitted to our Group.	Complete and submit monthly report to our Group and remit payment for royalty fees.
— Involvement	Personal participation in the operation of the Non-self-operated Outlet/Restaurant.	Maintain an active role in the management and operations of the Non-self-operated Outlet/ Restaurant.	Maintain an active role in the management and operations of the Non-self-operated Outlet/ Restaurant.	Maintain an active role in the management and operations of the Non-self-operated Outlet/ Restaurant.	Maintain an active role in the management and operations of the Non-self-operated Outlet/ Restaurant.
— Operational	Among others, (a) provide on-premises supervision; (b) work a certain or minimum number of hours; and (c) maintain sufficient food and beverage supplies and packaging materials and employ adequate personnel. Franchisees will bear the operating costs of Non-self-operated Outlet/Restaurant.	Among others, (a) provide on-premises supervision; (b) work a certain or minimum number of hours; and (c) maintain sufficient food and beverage supplies and packaging materials and employ adequate personnel. Franchisee and sub-franchisees will bear the operating costs of Non-self-operated Outlet/Restaurant.	Among others, (a) provide on-premises supervision by trained managers; and (b) maintain sufficient food and beverage supplies and packaging materials and employ adequate personnel. Franchisee and sub-franchisees will bear the operating costs of Non-self-operated Outlet/Restaurant.	Among others, shall and shall procure (a) on-premises supervision by managers; (b) certain or minimum number of working hours; and (c) maintenance of sufficient food and beverage supplies and packaging materials and employ adequate personnel. Licensee and sub-licensees will bear the operating costs of Non-self-operated Outlet/ Restaurant.	Among others, (a) provide on-premises supervision; (b) work a certain or minimum number of hours; and (c) maintain sufficient food and beverage supplies and packaging materials and employ adequate personnel. Franchisee and sub-franchisees will bear the operating costs of Non-self-operated Outlet/Restaurant.

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	Units Franchises in Singapore, West Malaysia and Brunei	Northern California Master Franchise	East Malaysia Master Franchise	Indonesia Master Licence	Egypt Master Franchise
(v) Rights, obligations and responsibilities of our Group					
— Training	We will train Franchisee and designated manager in all relevant managerial and operational aspects of the franchise.	We will train key personnel in all relevant managerial and operational aspects of the franchise.	We will train key personnel in all relevant managerial and operational aspects of the franchise.	We will train key personnel in all relevant managerial and operational aspects of the licence upon request.	We will train key personnel in all relevant managerial and operational aspects of the franchise.
— Advertising and promotion	We will develop group advertising and promotional materials and provide samples of these materials to Franchisee. Franchisee may also develop other advertising and promotional materials for its own use at its own cost.	Franchisee has the authority to develop group advertising and promotional materials and provide samples of these materials to our Group for approval. We may develop and share with the Franchisee advertising and branding guidelines.	Master Franchisee will develop group advertising and promotional materials and provide samples of these materials to our Group for approval. We may also, from time to time, propose other advertising and promotional materials that Franchisee may use at its own cost.	Licencee will develop group advertising and promotional materials and provide samples of these materials to our Group for approval upon request. We may propose other advertising and promotional materials that Licencee may use at its own cost.	Master Franchisee will develop group advertising and promotional materials and provide samples of these materials to our Group for approval. We may also, from time to time, propose other advertising and promotional materials that Franchisee may use at its own cost.
(vi) Fee structure and payments					
— Fees and payment terms	Franchise Fees comprising (a) upfront franchise payment of typically S\$35,000 per Outlet/Restaurant in Singapore, typically MYR60,000 (approximately S\$21,000) per Outlet/Restaurant in West Malaysia and US\$50,000 in Brunei for two Outlets/Restaurants, respectively, as determined by our Group and depending on the contract term, it can range from S\$14,000 to S\$35,000 (Singapore) and from MYR20,000 to MYR60,000 (approximately S\$7,000 to S\$21,000) (West Malaysia); (b) monthly franchise royalty of 3% of total monthly gross revenue payable on 7th of each following month. No outlet fee is charged as the number of Non-self-operated Outlet/Restaurant has been stipulated and fixed upfront and hence, the Franchise Fees are all inclusive.	Franchise Fees comprising (a) one-off upfront franchise payment of US\$300,000 (approximately S\$406,000); (b) an outlet fee of US\$15,000 (approximately S\$20,000) per outlet opened determined by our Group; and (c) monthly franchise royalty of 1% of total monthly gross revenue payable within 30 days of each following month.	Franchise Fees comprising (a) one-off upfront fee of MYR100,000 (approximately S\$35,000) as determined by our Group; (b) an outlet fee of MYR10,000 (approximately S\$3,000) per outlet opened determined by our Group; and (c) monthly franchise royalty of 1.5% of total monthly gross revenue payable within 30 days of each following month.	Licence Fees comprising (a) one-off upfront fee of US\$200,000 (approximately S\$271,000) as determined by our Group; (b) an outlet fee of US\$3,000 (approximately S\$4,000) per outlet opened as determined by our Group; and (c) monthly royalty of 4.5% of total monthly gross revenue payable within 30 days of each following month.	Franchise Fees comprising (a) one-off upfront franchise payment of US\$120,000 (approximately S\$162,000) as determined by our Group; (b) an outlet fee of US\$7,000 (approximately S\$9,500) per outlet opened determined by our Group (after the initial 12 outlets); (c) monthly franchise royalty of 2.5% of total monthly gross revenue payable within 30 days of each following month.
— Advertising and promotion fees	We will be responsible for all group advertising fees, where an advertising fee of 2% of total monthly gross revenue is payable by Franchisees to our Group on 7th of each following month, except for other advertising and promotional materials developed by Franchisee for its own use and approved by our Group will be at Franchisee's own cost.	At Master Franchisee's own costs.	At Master Franchisee's own costs.	At Licencee's own costs.	At Master Franchisee's own costs.

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	Units Franchises in Singapore, West Malaysia and Brunei	Northern California Master Franchise	East Malaysia Master Franchise	Indonesia Master Licence	Egypt Master Franchise
— Late payment penalty	An interest of 2% per month will be levied on all late payments.	An interest of pegged to the maximum interest rate permitted under California state law will be levied on all late payments, in addition to an administrative fee.	An interest of 2% per month will be levied on all late payments.	An interest of 2% per month will be levied on all late payments.	An interest of 2% per month will be levied on all late payments in addition to an administrative fee.
(vii) Termination					
— Not by our Group	Either (a) 12 months after the Units Franchise has started operating with additional three months' notice and without penalty; or (b) within the first 12 months with an early termination penalty payable in lieu of the 12 months minimum operation requirement and three months' notice.	Either (a) 18 months after the Master Franchise has started operating with additional six months' notice and without penalty; or (b) within the first 18 months with an early termination penalty payable in lieu of the 18 months minimum operation requirement and six months' notice.	Either (a) 12 months after the Master Franchise has started operating with additional six months' notice and without penalty; or (b) within the first 12 months with an early termination penalty payable in lieu of the 12 months minimum operation requirement and six months' notice.	Either (a) 18 months after the Indonesia Master Licence has started operating with additional six months' notice and without penalty; or (b) within the first 18 months with an early termination penalty payable in lieu of the 18 months minimum operation requirement, and six months' notice.	Either (a) 18 months after the Master Franchise has started operating with additional six months' notice and without penalty; or (b) within the first 18 months with an early termination penalty payable in lieu of the 18 months minimum operation requirement and six months' notice.
— By our Group	Right to terminate immediately in case of Franchisee's non-curable default(s) in the operations manual or the Franchise Agreement (such as the conviction of a crime, fraud, misinformation, repeated defaults, abandonment, misuse of trademarks or a breach of the confidentiality and non-competition agreement) in part or in whole. However, where a breach is capable of being remedy, (a) for the case of Singapore and Brunei, the Franchisee may, at our Group's sole discretion, be given up to five working days; and (b) for the case of west Malaysia, the Franchisee will be given 14 days after receiving written notice of such breach to rectify the problem, failing which we will immediately terminate the Franchise Agreement.	Right to terminate (a) by giving the Franchisee seven days' written notice if any of the stated events (including but not limited to the Franchisee fails to ensure that all Outlets/ Restaurants offer the core menu unless exception is granted by us, the Franchisee fails to maintain sufficient inventory to allow all Outlets/ Restaurants to offer the core menu, the Franchisee fails to promptly pay any dues owing to us) occur; or (b) subject to the terms of the California Franchise Relations Act, by giving the Franchisee 60 days' written notice upon any default by the Franchisee.	Right to terminate immediately in case of Franchisee (a) default in the operations manual or the Franchise Agreement in part or in whole; or (b) any of the stated events (including but not limited to the Franchisee threatens to wind up or is wound up or ceases to exist, the Franchisee commits any act or omission that prejudices the reputation and/or interests of us, the Franchisee provided false or misleading information). For (a), Franchisee is given 14 days to rectify the problem, failing which our Group will immediately terminate the Franchise Agreement.	Right to terminate immediately in case of Master Licensee's (a) default in the operations manual or the agreement in part or in whole; or (b) non-curable defaults (such as the conviction of a crime, fraud, misinformation, repeated defaults, abandonment, misuse of trademarks or a breach of the confidentiality and non-competition agreement) without prior notice. For (a), Master Licensee may, at our Group's sole discretion, be given up to five working days to rectify the problem, failing which our Group will immediately terminate the agreement.	Right to (a) terminate immediately if any of the stated events (including but not limited to the Franchisee no longer holds a licence that the Franchisee must legally hold to carry on the Master Franchise, the Franchisee becomes bankrupt, insolvent under an externally administered body corporate, the Franchisee voluntarily abandon the Master Franchise, the Franchisee is convicted of a serious offence) occur; or (b) terminate after our Group given the Master Franchisee 10 working days' reasonable written notice requiring the Master Franchisee to rectify the breach of the Franchise Agreement and the Master Franchisee fails to rectify the breach to our Group's reasonable satisfaction.
(viii) Renewal and conditions for renewal (if any)	Renewal will be subject to the terms and conditions in the agreement in force at that point of time. Renewal notice will be given at least six months before expiry of the agreement.	Renewal will be subject to the terms and conditions in the agreement in force at that point of time. Renewal notice will be given at least six months before expiry of the agreement.	Renewal will be subject to the terms and conditions in the agreement in force at that point of time. Renewal notice will be given at least six months before expiry of the agreement.	Renewal notice will be given at least six months before expiry of the agreement.	Renewal will be subject to the terms and conditions in the agreement in force at that point of time. Renewal notice will be given at least six months before expiry of the agreement.

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We also require all of the operators of the Non-self-operated Outlets and Restaurants to enter into a confidentiality and non-competition agreement, pursuant to which, among other terms, (a) in the event of breach, we may seek liquidated damages for an amount calculated with reference to the renewal fee for the remaining term under the Non-self-operated arrangement over a certain period and all relevant legal costs. Our Directors confirmed that there was no material breach of the Franchise Agreements and the Indonesia Master Licence Agreement during the Track Record Period.

Operating arrangements with some of our Franchisees in Singapore and West Malaysia

Given our Non-self-operated Restaurants and/or Outlets in Singapore and West Malaysia are mainly strategically located in prime shopping malls or mass-rapid-transit stations with high pedestrian traffic, we and our Franchisees usually face competition with other food and beverage companies for prime locations in a highly competitive market for premises. As detailed in the paragraph headed “Non-self-operated Outlets and Restaurants — New Non-self-operated Outlet or Restaurant development procedures” of this section, our Group will submit applications as approved tenant and wait-list for a vacant premises from time to time. Upon notification by the shopping mall operator of a vacant premises, our Group will first consider whether we should open such outlet or restaurant as Self-operated or Non-self-operated taking into account, among others, our financial condition and manpower at the relevant time. Where our Directors consider the franchising arrangement more appropriate at the relevant time, we will then select potential Franchisee for the opening of a franchise Outlet or franchise Restaurant on such premises. Notwithstanding, our Directors may consider such retail premises to be very valuable and would enter into the tenancy agreement with the landlord in respect of such premises, in order to secure the premises for operating our Self-operated Outlet or Restaurant in the future, in case the Franchisee has unsatisfactory performance or the Franchisee decided to terminate the franchise before the expiry of the lease term. Moreover, as some of our Franchisees are individuals, it is difficult for them to negotiate with the landlords, particularly if the landlords are reputable property developers, and we, as a corporation which own our brand, are in a better position to get more favourable terms from landlords for tenancies. Under such circumstances, we will enter into a separate Operating Agreement with the Franchisee for operating a Non-self-operated Outlet or Restaurant on the relevant premises. Pursuant to the Operating Agreement, such Franchisee will be appointed as our operator to administer, manage and operate such Non-self-operated Outlet or Restaurant. We have obtained consents from the relevant landlords in respect of such Operating Agreements (the “**Consents**”). For the operating arrangement with the Franchisees in West Malaysia, the Franchisees will primarily be responsible for obtaining all requisite licences. For the operating arrangement with the Franchisees in Singapore, under the terms and conditions of the licences, the Franchisees might face difficulties in obtaining the requisite licences given they are not the owners or the lessees of their operating premises, thus, our Group would obtain those licences, whereas it is agreed that the Franchisees are the beneficiaries of those licences and be liable and responsible for fulfilling all respective requirements. Under all Operating Agreements, our Franchisees as the operators will be responsible to bear all operating costs in connection with the Non-self-operated Outlets or Restaurants.

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The salient terms of the Operating Agreement are summarised as follows:

- *Duration:* Fixed term of appointment between two to three years, which typically mirrors the term of the relevant tenancy agreement.
- *Rights and obligations as our Group's operator:* Among others, to adhere and comply to all terms and conditions set out in the tenancy agreement entered into between our Group and the landlord.
- *Rights and obligations of our Group:* Among others, we are responsible for securing the lease for the duration of the Operating Agreement and, for Singapore operating arrangement, to obtain all requisite licences for the operations of the Non-self-operated Outlet or Restaurant.
- *Payment:* An operating fee is payable to our Group by the Franchisee (as an operator) on a monthly basis, in consideration for the right to operate the Outlets/Restaurants, the operational supervision of our Group and customer service management and menu development and quality control at the Outlets/Restaurants, and to cover the cost incurred by our Group, which included the rental expenses paid by our Group to the landlords.
- *Termination and renewal:* In the event of default by our Franchisee (as an operator) on grounds of, among others, breach of the Operating Agreement or failure to fulfil its obligations thereunder, we are entitled to confiscate the security deposit and claim for loss of revenue, agreed liquidated damages and legal and recovery costs. There is no provision for early termination of the Operating Agreement either by our Group or the Franchisee. During the Track Record Period and up to the Latest Practicable Date, we did not make any claims against any of our Franchisees (as an operator).

As at the Latest Practicable Date, we had entered into eight Operating Agreements in respect of seven Non-self-operated Restaurants in West Malaysia and one Non-self-operated Outlets in Singapore, respectively. In addition, we have entered into one lease in West Malaysia, which is expected to be used to open Shihlin Outlet/Restaurant to be operated by Franchisees under the operating arrangement, which we have identified the Franchisee but not yet entered into an Operating Agreement for the premises as at the Latest Practicable Date. Our Directors confirmed that there was no material breach of the Operating Agreements during the Track Record Period.

As confirmed by our Singapore Legal Advisers and Malaysia Legal Advisers, none of the Operating Agreements (i) creates any principal/agency arrangements between our Group and the relevant Franchisee; and (ii) contravenes any tenancy agreements; and our Singapore Legal Advisers and Malaysia Legal Advisers are of the view that the Operating Agreements are legal, valid and enforceable and do not contravene any laws and regulations in the relevant jurisdictions. Based on the review of the Consents, our Singapore Legal Advisers and Malaysia Legal Advisers are of the view that our Group is permitted by the relevant landlords to appoint such operators and/or Franchisees, by way of the Operating Agreements, to operate the Outlets/Restaurants located on the premises leased by our Group.

New Non-self-operated Outlet or Restaurant development procedures

Singapore and West Malaysia

Most of our Self-operated Outlets in Singapore and Self-operated Restaurants in West Malaysia are situated within shopping malls. However, stalls within shopping mall food courts or outlet/restaurant premises within shopping malls in Singapore and West Malaysia are highly competitive and in most cases, involve (i) approval by the shopping mall operator as an approved tenant; and (ii) wait-listing for a vacant premises, which may take months to years depending on the expiration of the existing lease agreement. As such, in order to expedite the outlet or restaurant opening process, our Group will submit applications as approved tenant and wait-list for a vacant premises from time to time. Upon notification by the shopping mall operator of a vacant premises, our Group will first consider whether we should open such outlet or restaurant as Self-operated or Non-self-operated taking into account, among others, (a) our financial condition at the relevant time, in particular, our cash position and working capital requirements; (b) the expected investment return on the premises based on, among others, competition, pedestrian traffic and local demographics; and (c) our manpower at the relevant time. Where our Directors considered the franchising arrangements more appropriate at the relevant time, we will then select potential Franchisee for the opening of a franchise Outlet or franchise Restaurant on such premises.

We will, however, monitor and provide guidance to our Franchisees in Singapore and West Malaysia for the opening of their Non-self-operated Outlet(s) and/or Restaurant(s). During the Track Record Period, the time required for the opening of a new Non-self-operated Outlet or Restaurant in Singapore and West Malaysia ranged between three to 13 months. The development process of a Non-self-operated Outlet in Singapore or Non-self-operated Restaurant and West Malaysia mainly consists of the following key steps:

- ***Franchisees selection and negotiation***

- *Franchisee selection:* Interested parties may submit application in form prescribed by our Group stating their interest in opening a Non-self-operated Outlet or Restaurant in Singapore and West Malaysia. Applicants would then be invited to meet with representatives of our Company within one week of application submission whereafter our management will consider and approve the application based on the application materials and internal feedback on the applicant. Applicants are given no deadline to consider the offer granted by our Group and upon acceptance, applicants are required to make a refundable deposit payment. We adopt strict guidelines to select, assess and monitor operators for the Non-self-operated Outlets and Restaurants in Singapore and West Malaysia. When necessary, we may conduct background checks and require potential applicants to submit additional supporting documents for verification prior to formal approval.
- *Formal Agreement:* Upon receipt of the deposit, we will liaise with the applicant regarding the formal agreement. All of our Units Franchises in Singapore and West Malaysia are in standard forms within the same country and the signing process typically takes within 14 days.

BUSINESS

- ***Renovation, licensing, staffing and procurement***

- *Renovation:* Our Group may recommend contractors for the renovation services for the consideration of the Franchisee who may use the recommended contractors or alternative contractors subject to our approval. Our Group will provide suggested interior layout of a franchise Outlet or Restaurant and general specifications for exterior decor and signs. The average time for the design and renovation process from quotation to completion of renovation works generally takes between four weeks to eight weeks.
- *Licensing:* Save for the operating arrangements whereby our Group will apply for and obtain all requisite licences, the Franchisee is required to apply for all requisite licences prior to the commencement of operations. The licensing process vary between countries and generally takes between four weeks to eight weeks from preparation of licence application documents to the obtaining of all relevant licences.
- *Purchase of equipment:* All major equipment must be purchased from our Group's approved or designated suppliers.
- *Menu:* Franchisee may provide and serve only those products specified and approved by our Group in writing. Franchisee must offer on its menu all products required by our Group and we reserve the right to add or remove products from the Franchisee's menu.
- *Procurement of product and packaging materials:* All Snacks and Beverages and packaging must be purchased from our Group or our approved or designated suppliers. Franchisee is not allowed to mix its own products and packaging materials, failing which it will constitute a breach of the Franchise Agreement and the Franchisee is required to compensate our Group a specified amount for each incident and we may terminate the franchise forthwith without compensation to the Franchisee.

As we granted the right to the Master Franchisees to establish and/or operate and/or sub-franchise as many sub-franchises as desired in their respective designated territories and granted the right to the Master Licensee to use our system, intellectual property rights, symbols, names, registered trademarks, patents and logos in connection with the business in Indonesia, and the rights to grant sub-licences to any sub-licensees as single unit licences and/or multi-unit licences in Indonesia, the development process of a Non-self-operated Outlet or Restaurant under the Master Franchises and Master Licence are subject to the negotiation between the Master Franchisees or the Master Licensee and their sub-franchisees or sub-licensees and normally our Group would not be directly involved.

Outside Singapore and West Malaysia

Unlike Singapore and West Malaysia where our Group has established Self-operated Outlets and/or Restaurants and are familiar with the relevant regulatory and operating environment, our Directors do not consider it cost-effective for our Group to conduct research on the regulatory and operating environment in countries where we do not have any Self-operated Outlets and/or Restaurants. Instead, our Directors believe it would be more efficient for our Master Franchisees and Master Licensee, and their respective sub-franchisees and sub-licensees to acquaint themselves with such. As such, our Group did not formalise any rigid procedures governing the opening of Non-self-operated Outlet and/or Restaurant outside Singapore and West Malaysia. Nonetheless, our Master Franchisees and Master Licensee will be responsible for monitoring and providing guidance to their respective sub-franchisees and sub-licensees, whom they have a direct contractual relationship.

As at the Latest Practicable Date, no Non-self-operated Outlet or Restaurant had been opened in Brunei and Egypt. The development process of a Non-self-operated Outlet or Restaurant outside Singapore and West Malaysia differed between countries and are set by our Master Franchisees and Master Licensee. Generally, the development process is similar to the development procedures for new Non-self-operated Outlet or Restaurant in Singapore and West Malaysia and covers, among others, (a) selection of sub-franchisee or sub-licensee by our Master Franchisees and Master Licensee; (b) approval of premises, design and décor; and (c) monitoring over procurement of raw materials. We will also be notified by our Master Franchisees or Master Licensee details of the new Non-self-operated Outlet or Restaurant, including but not limited to the location, the name of sub-franchisee or sub-licensee and when the new Non-self-operated Outlet or Restaurant be opened, once the information is available.

Sales and pricing policies at Non-self-operated Outlets and Restaurants

In order to prevent material fluctuations in the pricing of our Snacks and Beverages across our Self-operated Outlets and Restaurants and Non-self-operated Outlets and Restaurants within Singapore and West Malaysia, we provide suggested menu pricing to our Franchisees in Singapore and West Malaysia, respectively, whereafter they would prepare the menu pricing proposal for our final approval. In most cases, our Franchisees in Singapore and West Malaysia will adopt our suggested menu pricing. In order to allow flexibility to determine menu prices with reference to local market conditions, we allow the East Malaysia Master Franchisee, Northern California Master Franchisee and Master Licensee to propose their menu pricing for our review and approval.

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Sales to Non-self-operated Outlets and Restaurants

In order to ensure consistency in the quality of our Snacks and Beverages served across our Shihlin Outlets and Restaurants, most of the beverages, food products and packaging materials used at the Non-self-operated Outlets and Restaurants are procured from our Group and our approved suppliers. We do not impose any minimum purchase requirements to facilitate flexible inventory management.

For FY2017, FY2018 and FY2019, revenue from sales to our Franchisees and Licensee amounted to approximately S\$6.7 million, S\$7.7 million and S\$8.4 million, respectively, accounting for approximately 42.8%, 41.2% and 39.3% of the total revenue during the respective financial year.

We do not have any repurchase policy and product returns are considered on a case-by-case basis by our senior management team. During the Track Record Period, the total amount of refunds for all the products returned amounted to approximately S\$2,000 and we did not have any material disputes relating to product return.

CUSTOMERS

In view of our four different revenue streams, we consider (i) general public consumers as our primary customers in respect of our sales via Self-operated Outlets and Restaurants, and (ii) our Franchisees and Licensee as our primary customers in respect of our franchise/licence model. Save for Customer Z, all of our five largest customers during the Track Record Period are our Franchisees or Licensee. Our Franchisees and Licensee comprised corporation(s) and individual(s). Some of the individuals may enter into various Franchise Agreements with our Group on their own or together with other individuals. As at the Latest Practicable Date, we had a total of six Franchisees in Singapore, 59 Franchisees in West Malaysia, one Master Franchisee in East Malaysia, one Master Franchisee in Northern California and one Master Licensee in Indonesia. We had also entered into Franchise Agreements for the opening of franchise Outlet(s) in Brunei and Egypt, respectively. During the Track Record Period, we generally grant a credit period of (i) up to seven days to our Franchisees and Licensee upon issuance of our invoices for sales except for Northern California Master Franchisee, which we grant a credit period of 60 days from the date of departure since October 2018; and (ii) up to first seven days of each following month for Units Franchisee and within 30 calendar days from the end of each month for Master Franchisee and Licensee for royalty. Payments are typically settled by interbank transfer, telegraphic transfer and cheque.

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The table below sets forth details of the five largest customers during the Track Record Period:

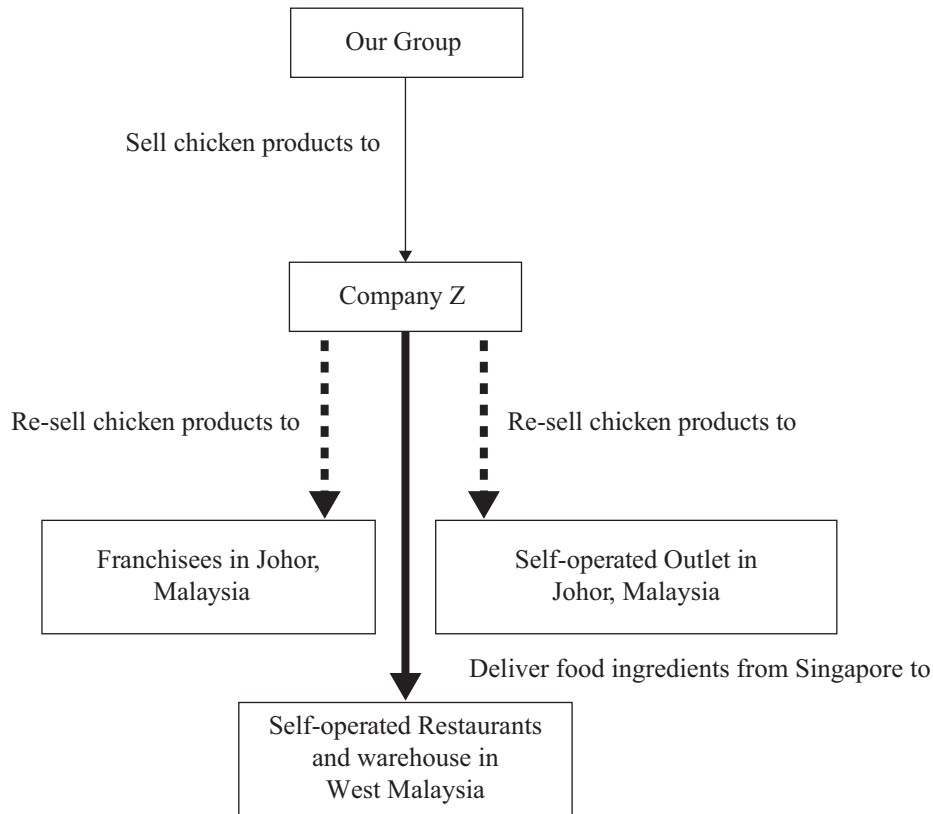
Customer	Principle business	Corporation/ Individual(s)	Products sold/service provided	Location	Credit term	Year of commencement of business relationship	FY2017		FY2018		FY2019	
							Revenue \$\$'000	Percentage of total revenue %	Revenue \$\$'000	Percentage of total revenue %	Revenue \$\$'000	Percentage of total revenue %
Master Licensee	Operation of food and beverage outlets	Corporation	Food and beverage ingredients and Indonesia Master Licence	Indonesia	Sale of goods — within seven days after invoice	2006	2,896	18.4	3,014	16.2	3,481	16.3
Customer Z	Trading and provision of logistics services	Corporation	Food ingredient	Malaysia	Sales of goods — On delivery	2010	665	4.2	749	4.0	816	3.8
Multiple Units Franchisee B	N/A	Individuals	Food and beverage ingredients and packaging material and franchise in Malaysia	Malaysia	Sale of goods — On delivery Advertising & promotion fee-seven days after month end	2013	249	1.6	366	2.0	271	1.3
Multiple Units Franchisee C <i>(Note)</i>	N/A	Individuals	Food and beverage ingredients and packaging material and franchise in Malaysia	Malaysia	Royalty fee — seven days after month end	2010	231	1.5	235	1.3	N/A	N/A
Multiple Units Franchisee D	N/A	Individuals	Food and beverage ingredients and packaging material and franchise in Malaysia	Malaysia	Royalty fee — seven days after month end	2014	235	1.5	N/A	N/A	240	1.1
Northern California Master Franchisee	Operation of food and beverage outlets	Corporation	Food and beverage ingredients and packaging material and California Master Franchisee	U.S.	Sale of goods — Before 17 October 2018; within seven days after invoice. Since 17 October 2018; within 60 days from the date of departure	2016	N/A	N/A	421	2.3	363	1.7
					Franchise fee — No credit term							
					Royalty fee — within 30 days after month end							
							4,276	27.2	4,785	25.8	5,171	24.2

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Note: One out of two individuals comprising Multiple Units Franchisee C also entered into other Franchise Agreements together with another party during the Track Record Period.

We generated largest revenue from the Master Licensee during the Track Record Period. For FY2017, FY2018 and FY2019, revenue generated from the Master Licensee amounted to approximately S\$2.9 million, S\$3.0 million and S\$3.5 million, respectively, accounting for approximately 18.4%, 16.2% and 16.3% of our total revenue, respectively.

In respect of our West Malaysia operations, during the Track Record Period, we sell chicken products to Company Z, being one of our five largest customers during the Track Record Period and which is located in Johor, Malaysia, which then re-sell the chicken products to our Franchisees in Johor, Malaysia. We also purchased chicken products for a Self-operated Restaurant in Johor, Malaysia from Company Z in FY2018 and FY2019. In addition, Company Z was our logistics services provider in West Malaysia which delivered our food ingredients from Singapore to our Self-operated Restaurants and warehouse in West Malaysia during the Track Record Period. The following diagram shows the transactions between our Group and Company Z:



BUSINESS

The table below sets out details of the transactions between our Group and Company Z during the Track Record Period:

	FY2017	FY2018	FY2019
Company Z as customer			
Sale of food ingredients (<i>S\$'000</i>)	665	749	816
<i>As a percentage of total revenue (%)</i>	4.2	4.0	3.8
Gross profit (<i>S\$'000</i>)	114	119	160
Gross profit margin (%)	17.2	16.0	19.7
Company Z as supplier			
Purchases of food ingredients (<i>S\$'000</i>)	—	6	33
<i>As a percentage of total purchase (%)</i>	—	0.1	0.4
Services fees for logistics services (<i>S\$'000</i>)	89	125	160
<i>As a percentage of total selling and distribution expenses (%)</i>	2.9	3.2	3.7

Our Directors considered the transactions with Company Z is in the interest of our Group as a whole for the following reasons:

From the perspective of our Franchisees in Johor: Johor is a state located in the southern portion of Peninsular Malaysia, which is far from Selangor Darul Ehsan, Malaysia, where our Malaysian warehouse is located. Given normally our Franchisees would be responsible for the delivery of the chicken products from our warehouse to the Non-self-operated Outlets or Restaurants operated by them, the Franchisees in Johor, Malaysia incurred relatively higher cost for delivery from our warehouse, especially if the orders are delivered on piecemeal bases. Customer Z is a logistic company which is located in Johor. As a result of the sales of the chicken products from our Group to Customer Z and the purchase of such by our Franchisees in Johor from Customer Z, our Directors believe that our Franchisees would benefit from such arrangement given the orders are delivered on a consolidated basis.

From the perspective of our Group: Company Z is responsible for the liaison and administrative works in connection with the orders and delivery logistics for our Franchisees in Johor and relieves our Group from the immense need for administrative staff. Our Directors confirmed that the price of the chicken products we sold to Company Z is no less favourable than the price of those we sold to Franchisees in other states in Malaysia. In view of there were 17 Non-self-operated Restaurants across Johor as at the Latest Practicable Date, our Directors considered it will be more cost effective to sell the chicken products to Company Z as we would incur substantial labour costs and administrative expenses if we were to handle all sales to our Franchisees in Johor on our own, particularly when our office in Malaysia is located in Kuala Lumpur.

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For sake of convenience and cost saving, we also purchase chicken products from Company Z for our Self-operated Outlet in Johor, which was opened in FY2018. When we purchase from Company Z, it will be responsible for the delivery to our Self-operated Outlet in Johor, hence we save up on delivery costs. Given the volume of the chicken products for our Self-operated Outlet in Johor is relatively small, our Directors believe that it will be less cost effective for us to arrange the delivery on our own, despite Company Z charges our Group a markup when re-selling the chicken products to our Self-operated Outlet in Johor.

Our Directors confirmed that none of our Directors or their respective close associates or any of our Shareholders owned any interest in any of the five largest customers during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute with any of the five largest customers.

ADVERTISING AND MARKETING

During the Track Record Period, we have deployed various marketing initiatives in Singapore and West Malaysia to promote our brand identity and corporate image, including:

- **Traditional marketing:** We place advertisements on traditional media such as magazines and billboards within the neighbourhood and shopping malls to enhance our brand awareness.
- **Digital media:** We are active on social media, with an established webpage to make available updates on our latest promotional offers, menu and new Shihlin Outlet or Shihlin Restaurant openings.
- **Collaborations:** We work alongside some of the shopping malls where our restaurants are located, by working with them in joint marketing activities such as games sponsorship, corporate social responsibility sponsorship and seasonal campaigns.
- **Promotional campaigns:** We offer discount coupons from time to time to attract pedestrian traffic to our Shihlin Outlets and Restaurants.
- **Sponsorship:** We sponsor events such as a world tour live concert, a Taiwanese blockbuster movie and a Taiwanese horror comedy.

Predominantly, our advertising and marketing campaigns are launched in Singapore and West Malaysia. The Master Licensee, East Malaysia Master Franchisee and Northern California Master Franchisee will be responsible for the advertising and marketing campaigns within Indonesia, East Malaysia and Northern California, respectively, including the costs and expenses. We will provide samples of our advertising and marketing materials to them to be used as reference while they prepare their local versions. In order to preserve our brand image, we require them to submit details of the proposed advertising and marketing campaigns for our prior approval.

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In Singapore and West Malaysia, our advertising and marketing campaigns are classified into local campaigns and national campaigns. Local campaigns refer to marketing initiatives borne by our Group to promote designated Shihlin Outlet or Shihlin Restaurant, while national campaigns refer to marketing initiatives to promote our brand within Singapore or West Malaysia and all related costs and expenses within Singapore or West Malaysia are charged out by way of Pooled Marketing Funds. For FY2017, FY2018 and FY2019, we incurred advertising and promotion expenses of approximately S\$0.3 million, S\$0.4 million and S\$0.4 million, respectively. The following table sets forth the advertising and promotion expenses by marketing initiatives:

	FY2017	FY2018	FY2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Local campaigns			
Traditional marketing	2	—	9
Digital media	2	1	—
Collaborations	33	19	28
Promotional campaigns	6	1	1
Other support activities (<i>Note</i>)	—	—	8
	<u>43</u>	<u>21</u>	<u>46</u>
National campaigns			
Traditional marketing	34	24	—
Digital media	10	9	20
Promotional campaigns	77	124	114
Other support activities (<i>Note</i>)	167	253	224
	<u>288</u>	<u>410</u>	<u>358</u>
Subtotal	<u>288</u>	<u>410</u>	<u>358</u>
Total	<u>331</u>	<u>431</u>	<u>404</u>

Note: Mainly consist of cost of our in-house designers who worked on our marketing initiatives above.

We intend to engage one famous Taiwanese celebrity as our spokesperson to present a Taiwanese brand image, and launch promotional materials with images of our spokesperson for and to host and/or sponsor marketing events attended by our spokesperson. We also intend to conduct traditional marketing and promotional activities, such as placing advertisements through television, distributing leaflets to customers and signboards. We plan to expand our marketing efforts through online media, schedule monthly marketing events and designated marketing activities to promote the launch of new products from time to time. For further details, please refer to the paragraph headed “Business Strategies — Increase our brand awareness” in this section.

BUSINESS

Pooled Marketing Funds

We require all of our Franchisees in Singapore and West Malaysia to contribute 2% of their monthly sales to our Singapore Pooled Marketing Fund and our West Malaysia Pooled Marketing Fund, respectively. All marketing expenses for national campaigns in Singapore are settled by the Singapore Pooled Marketing Fund while marketing expenses for national campaigns in West Malaysia are settled by the West Malaysia Pooled Marketing Fund, both based on actual expenses incurred by our Group and no administrative expenses in connection with the planning and preparation of the advertising and marketing campaigns are separately charged by our Group, which are considered as our contributions-in-kind as our Self-operated Outlets in Singapore and Self-operated Restaurants in West Malaysia do not make regular contributions to the Singapore Pooled Marketing Fund or the West Malaysia Pooled Marketing Fund other than on an adhoc basis.

The table below sets forth the balances of the Pooled Marketing Funds (in approximation) as at the dates indicated:

	<u>As at</u> <u>31 March 2017</u>	<u>As at</u> <u>31 March 2018</u>	<u>As at</u> <u>31 March 2019</u>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
West Malaysia Pooled Marketing Fund	152	54	22
Singapore Pooled Marketing Fund	19	27	45
Total	172	81	67

During the Track Record Period and up to the Latest Practicable Date, there was no material disputes relating to our management, operation and treatment of Pooled Marketing Funds.

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OPERATIONS AND MANAGEMENT

Operations flows

Save for food processing at our central kitchen in West Malaysia to support our Shihlin Outlets and Restaurants in Malaysia, we are not engaged in the processing of our Snacks and Beverages for our Shihlin Outlets and Restaurants in Singapore and overseas. Instead, we leverage services provided by renowned food suppliers and food processing companies, which possess extensive food-processing capabilities and expertise and know-how related information. This allows us to better allocate our resources, reduce food-processing overheads and maintain high product quality and enabling our growth without any concerns of processing capacity.



Procurement and supply

We procure raw materials and most of our semi-processed food products from third party suppliers. Procurement is centralised at our offices in Singapore in respect of our Self-operated Outlets in Singapore and at our offices in respect of our Self-operated Restaurants in West Malaysia and managed by our procurement team in collaboration with staff at each of our Self-operated Outlets and Restaurants. The manager at each Self-operated Outlet or Restaurant and Non-self-operated Outlet or Restaurant is responsible for monitoring the inventory level and assessing the inventory requirements to ensure the inventory level is sufficient for normal business operations. Stock inventory assessments are conducted physically by our on-site staff at our Self-operated Outlets and/or Restaurants on a monthly basis and through review of the reports submitted to our Group. Inventory purchase orders from our Self-operated Outlets and/or Restaurants and Non-self-operated Outlets and/or Restaurants will be consolidated from time to time. Our office staff will proceed to source and procure stock replenishments based on various factors, including (i) historical purchases; (ii) purchase orders from customers; and (iii) proposed expansion plans of our Company at the relevant time.

During the Track Record Period, there was no material fluctuations in the procurement costs of the raw materials used for the processing of our products. We did not experience any material shortage or delay in the supply of raw materials during the Track Record Period. Taking into account that all of our raw materials are readily available in the supply market and based on the assumption that the market conditions remain the same, our Directors do not expect any material fluctuations in the procurement costs of the raw materials used for the processing of our products after the Listing.

Inspection

We seek to inspect the quality and quantity of all raw materials and semi-processed food products to the extent practicable. We rely on our on-site inspection by the staff at each Self-operated Outlet and/or Restaurant and Non-self-operated Outlet and/or Restaurant to ensure the quality before serving to customers.

Food processing

Singapore

Taking into account of the capital investment, impact on our working capital, licensing requirements and costs of maintenance in connection with the establishment and operation of a central kitchen in Singapore, we engage external food processing companies to prepare and process food products for our Shihlin Outlets in Singapore. Save for two agreements for the provision of processed and unprocessed chicken to our Group in Singapore at our specifications, we did not enter into long term agreements with any of our other external food processing services providers during the Track Record Period. In order to preserve our trade secrets and confidential information, we enter into non-disclosure agreements with some of our vendors who will obtain confidential information relating to our recipes during the course of the provision of their services to our Group.

West Malaysia

Raw materials are procured and delivered to our central kitchen in West Malaysia for processing directly. Our central kitchen in West Malaysia is well equipped with equipment for food processing and we had obtained all requisite licences for operations at our central kitchen in West Malaysia as at the Latest Practicable Date.

Storage and inventory management

During the Track Record Period and up to the Latest Practicable Date, we had not suffered any material losses due to mishandling of products by our external warehouse management company at our Singapore warehouse or by our staff at our West Malaysia warehouse.

Storage

Shelf life of food supplies and raw materials vary ranging from six to 12 months, which would be stored at our Singapore warehouse and our Singapore warehouse arranges and manages all delivery to our Shihlin Outlets in Singapore. To ensure swift management at our Singapore warehouses, we have appointed external warehouse management company, which is responsible for inspection of our food products at our Singapore warehouse and logistics arrangements.

Our West Malaysia warehouse forms part of our central kitchen in West Malaysia and for efficiency purposes, we maintain all our food products for our Shihlin Outlets in West Malaysia at our West Malaysia warehouse. Our West Malaysia warehouse is managed by our staff in West Malaysia and we have implemented a set of control measures to ensure safekeeping of our food products.

Inventory management

We strive to maintain an optimal inventory level at our warehouses in Singapore and West Malaysia. Our inventory management objective is to ensure we maintain stock inventory sufficient to supply our business operations at all times without unnecessary excessive inventory levels. As the shelf life of food supplies and raw materials vary ranging from six to 12 months, we have a target inventory policy differentiated by food categories. Although we do not establish mechanism to monitor and control the inventory levels of our Franchisees or Licensee, we closely monitor the pattern of orders from Franchisees or Licensee and would liaise with them if we note abnormalities in their sales pattern.

We procure products from our suppliers on an ongoing basis to maintain a reasonable level of inventory to meet our operations based on our projection after taking into account the historical sales pattern of sales to Franchisees or Licensee and of our Self-operated Outlets/Restaurants, customers' preferences, market trend and also expansion plan of our Franchisees or Licensee and our Self-operated Outlets and Restaurants. Our system records details of our inventories, including inventory level and ageing. Our procurement team regularly monitors our inventory level based on our system. Our procurement team will place orders with our suppliers as and when necessary. We estimate volume of our order based on our historical consumption experience in order to maintain our inventory level. Generally, we seek to maintain an adequate inventory of approximately two months.

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Our average inventory turnover days were approximately 24.3, 34.7 and 36.4 days for FY2017, FY2018 and FY2019, respectively. For further details, please refer to the section headed “Financial Information — Description and analysis of principal components in the combined statements of financial position — Inventories” of this prospectus.

Logistics

We engage third-party logistics service providers to collect our food products from our Singapore warehouse or West Malaysia warehouse and deliver them to our Shihlin Outlets and Restaurants. We also utilise the logistics services provided by our external warehouse services providers in Singapore. Our transportation arrangements with third-party logistics service providers enable us to maintain a low level of capital investment in developing and maintaining an in-house logistics system. We select logistics service providers based on their reputation, scale of operation, track record and price. Save for the Freight Services Agreement which will continue after the Listing, we did not enter into long term contracts with our logistics service providers during the Track Record Period. For further details, please refer to the section headed “Connected Transactions” of this prospectus. Our logistics service providers bear the risks associated with the delivery of our products. We assess our logistics service providers based on delivery performance, transportation capability and overall service quality.

Some products are delivered by our suppliers to our Shihlin Outlets and Restaurants in Singapore and West Malaysia directly. In these cases, our suppliers will be responsible for the products until delivery and acceptance at our Shihlin Outlets and Restaurants in Singapore and West Malaysia.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material business disruptions due to late delivery or mishandling of products by our logistics service providers or by our suppliers in Singapore and West Malaysia.

On-site inspection, storage and inventory

Food quality is crucial to our business operations. We have implemented a standardised food quality control system to monitor the food ingredients inventory inspection process, which is administered by our quality assurance personnel at our Self-operated Outlets and/or Restaurants and Non-self-operated Outlets and/or Restaurants. All food ingredients are inspected upon arrival with regards to our quality control standards as well as quantity against purchase orders. We do not accept substandard food ingredients and we will request for replacements from our suppliers when necessary.

On-site preparation

The food preparation processes are detailed in our operations manual which are provided by our Group for guidance at Non-self-operated Outlets and Restaurants and our staff at our Self-operated Outlets and Restaurants are required to undergo training to familiarise themselves with the food preparation processes. We specify the cooking procedures for each of our Snacks Product in our operations manual to be adhered to strictly to ensure our Snacks Products are consistent in terms of taste and appearance. Each of our Self-operated Outlets and/or Restaurants is equipped with a deep-fryer, electric stove and a griddle to facilitate the preparation of our Snacks Products for delivery to our customers.

SUPPLIERS

The major raw materials and semi-processed food ingredients of our Snacks Products and Beverages Products include raw chicken, chicken products, semi-processed fish plate, flour and flour products and sweet potatoes. Our major suppliers are food suppliers and food processing companies which are mainly located in Singapore, Malaysia, Taiwan and Thailand. Save for two agreements for the provision of processed and unprocessed chicken to our Group in Singapore at our specifications, we generally do not enter into any long term purchase contracts with any of our suppliers and we order our supplies on as needed basis to allow flexibility. All of our suppliers are responsible for the delivery of our supply orders to us. During the Track Record Period, we are typically granted a credit period of up to one month from our suppliers for settlement of invoices by interbank transfer or telegraphic transfer.

The salient terms of the two long term purchase agreements with our suppliers are as follows:

- *Scope of services:* Supply of processed and unprocessed chicken to our Group in Singapore
- *Duration:* Fixed term of one year
- *Delivery:* Made two working days after receipt of order
- *Payment:* Twice monthly or within 30 days
- *Special condition:* In the event where there is any price increase during the agreement period, the involved party will be notified

For FY2017, FY2018 and FY2019, purchases from our five largest suppliers accounted for approximately 56.7%, 54.1% and 56.5% of our total purchases during the respective financial year and purchases from our largest supplier accounted for approximately 28.0%, 27.2% and 30.3% of our total purchases during the respective financial year.

BUSINESS

Five largest suppliers during the Track Record Period

The table below sets forth details of our procurement from our five largest suppliers for the respective year during the Track Record Period:

Supplier	Principal business activities/description	Products purchased	Location	Credit Period	Year of commencement of business relationship	FY2017		FY2018		FY2019	
						Amount of purchases	Percentage of total purchases	Amount of purchases	Percentage of total purchases	Amount of purchases	Percentage of total purchases
						S\$'000	%	S\$'000	%	S\$'000	%
Supplier A	Manufacturers, processors and dealers of food products relating to livestock and poultry and all related products	Chicken products	Malaysia	15 days	2012	2,013	28.0	2,183	27.2	2,606	30.3
Supplier B	Processing and preserving of meat and meat products	Chicken products	Singapore	15 days	2006	449	6.3	N/A	N/A	530	6.2
Supplier C	Food manufacturing	Semi-processed fish plate	Taiwan	Nil	2005	687	9.6	671	8.4	698	8.1
Supplier D	Food manufacturing	Flour product	Taiwan	One week	2004	472	6.6	498	6.2	485	5.7
Supplier E	Producer of rice flour	Semi-processed flour	Thailand	15 days after load	2011	N/A	N/A	494	6.2	533	6.2
Supplier F ^(Note)	Processing and preserving of meat and meat products	Chicken products	Singapore	30 days	2005	443	6.2	490	6.1	N/A	N/A
						4,064	56.7	4,336	54.1	4,852	56.5

Note: Amount for FY2017 included transactions with Supplier F and its subsidiary that are considered as a single supplier.

Our Directors confirmed that none of our Directors or their respective close associates or any of our Shareholders owned any interest in any of the five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute with any of the five largest suppliers.

Supplier selection

As part of our quality control measures to ensure we procure supplies and food ingredients from reliable suppliers, we conduct a vetting process on all suppliers whom we have not developed any business relationships with, and a bi-annual vetting process on all approved suppliers. In assessing potential suppliers, we obtain basic background information including their business registrations, food licences and certificates and we usually request our suppliers to deliver sample products for taste and quality inspection by our management team prior to any order placements by our Group. We will conduct site visits to our potential suppliers annually and as and when our procurement department considered appropriate, to obtain a better understanding of their operations and conditions of their premises. We do not engage external inspection to conduct inspection on our suppliers' premise as we will request for replacements for substandard food ingredients from our suppliers. Through our years of dealings with our suppliers, our Directors consider that we have developed a stable supply network. As at 31 March 2019, we maintained a list of 20 approved suppliers.

BUSINESS

Save for the rebate arrangement detailed below, our Directors confirmed that we did not enter into any rebate arrangements with any of our suppliers. To the best knowledge and information of our Directors, we did not encounter any incidents involving any alleged bribery or kickback arrangements between any of our Directors, Controlling Shareholders or employees of our Group with any of our suppliers.

During the Track Record Period, we have entered into a rebate arrangement with Supplier F. Under the rebate arrangement, our Group will receive rebates for completed orders placed by our Franchisees with Supplier F. Our Directors considered such arrangement is immaterial as the rebate amounts were insignificant. Our Directors are of the view that the rebate arrangement is entered into in the ordinary course of our business and on arm's length basis as it is common in our industry.

QUALITY CONTROL AND FOOD SAFETY

Food safety and quality control are of paramount importance to our reputation and business. As such, we implement stringent food safety and quality control standards and measures throughout our entire operations flow to ensure the full safety and high quality of our products.

Quality control management

We are committed to providing safe and high-quality Snacks and Beverages. Our quality control team is responsible for (i) formulating, managing and supervising our quality control system; (ii) supervising the management of major suppliers; (iii) managing and tracking complaints from our customers; and (iv) supervising the food safety of our Snacks and Beverages. As at the Latest Practicable Date, we have 15 quality control personnel, and the majority of whom have five or more years of work experience in the food industry and 14 of them hold either the food hygiene certificate issued by accredited training provider of National Environment Agency of Singapore or the food handling course certificate issued by accredited training provider of Ministry of Health of Malaysia.

Our quality control system covers, among others, the following operation phases:

Quality control over raw materials

We have adopted and maintained certain procedures in the selection and management of our suppliers to ensure that raw materials we use are of high quality.

We only select suppliers who can satisfy our internal standardised criteria. Prior to placing a purchase order from a new supplier for supply of raw materials, our quality control personnel may conduct on-site inspection of suppliers' facilities and production process to ensure that food products supplied meets our quality standard. Furthermore, we periodically evaluate the performance of our suppliers, including conducting on-site supervision and inspection annually and as and when our procurement department considered appropriate, and will remove suppliers who fail to meet our criteria from our approved supplier list.

BUSINESS

We require raw materials provided by our suppliers to meet our quality standards. Our quality control personnel conduct inspections of raw materials before acceptance at our warehouse and will reject the delivery if they do not meet our quality standards. We also perform laboratory sample testing through third-party laboratories from time to time to inspect the quality of the raw materials.

Quality control over inventory and logistics

We have implemented detailed warehousing operation procedures at our self-operated warehouses in West Malaysia, including timely record keeping, proper labelling and periodic stock-taking. We also maintain storage conditions according to the nature, categories and production dates of our raw materials, packaging materials and semi-processed food products and beverages and impose strict sanitation requirements to prevent contamination and cross-contamination.

For quality control over logistics, we require our logistics service providers to make timely delivery to avoid any food deterioration during the delivery process. We also require our logistics service providers to ensure a suitable delivery environment and stringent sanitary standards in their transportation vehicles. Our quality control personnel continuously review the performance of our logistics service providers to ensure delivery of our products in full compliance with our requirements.

Food safety management

To identify and control food safety issues, we have implemented the following measures:

- ***Product testing:*** We have an in-house quality control team and we also engage independent third-party “mystery shoppers” in Singapore and West Malaysia to conduct product quality testing on our products to ensure our products are in compliance with our quality standards.
- ***Laboratory testing:*** As and when is necessary as decided by our Directors from time to time, we randomly select some of our products for food safety testing at independent third party laboratories.
- ***Food safety risk management and emergency response:*** Our quality control team comprised of 15 staff with Mr. Melvyn Wong serving as adviser and is headed by Mr. Alex Wong, a member of our senior management. Our quality control team has an average of seven years of experience with our Company and is responsible for analysing and identifying food safety risks involved in our production processes at our central kitchen in West Malaysia. We maintain a food safety emergency response plan that sets out detailed response procedures and responsibilities of each processing station involved. If any contamination of our in-house processed Snacks and Beverages Products is identified, production at the central kitchen in West Malaysia will be suspended for thorough sanitisation and will be resumed when our quality control team has confirmed that it fulfils our food safety requirements.

BUSINESS

- ***Interactive communication:*** We seek to maintain regular close contact with the relevant regulatory authorities, consumers, suppliers and employees to gather essential food safety information, which enables us to improve our quality control and prevent food safety incidents.

Product returns and consumer feedback

We only offer product returns where after due consideration and investigation of the incident, our Company agreed that the products we delivered were considered defective. In such event, we would issue a credit note in an amount equivalent to the purchase amount for future purchases. During the Track Record Period, we issued credit notes in the total amount of approximately S\$2,000 as a result of defective product returns.

During the Track Record Period, there were no material product returns from our customers.

We use detailed procedures to collect and process consumer feedback. Our sales management team uses consumer service website feedback to receive consumer inquiries, feedback and complaints. We record complaints that we receive, including information regarding the relevant products involved, such as packing list. Our customer service officers responsible for the relevant region have the initial responsibility for complaints, and they subsequently contact the consumers and collect additional information regarding their complaints. Based on the information collected by our customer service offices, the relevant departments responsible for production, quality control and/or logistics are notified about any reported product defects and carry out remedial measures as necessary. Our customer service team is responsible for following up complaints to ensure that they have been dealt with appropriately. We address complaints in a variety of ways, including communicating with consumers or giving them gift vouchers for use at our Shihlin Outlets.

We believe that our quality control policy and practice ensure the high quality of our products and enhance our reputation. During the Track Record Period and up to the Latest Practicable Date, no material consumer complaints or disputes arose as a result of product quality issues and no product recall incident occurred.

LICENCES AND PERMITS

Our Group's principal business activities are located in Singapore and West Malaysia, and we are subject to applicable laws, regulations and government authorities in Singapore and Malaysia. These regulations require us to possess various licences or approvals. Pursuant to the Franchise Agreements and the Indonesia Master Licence Agreement, Franchisees and Licensee are responsible for their own compliance with all necessary laws and regulations in the relevant jurisdictions where they operate the Non-self-operated Outlets and Restaurants, which include licensing requirements.

As confirmed by our Directors, our Singapore Legal Advisers and Malaysia Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all material licences, permits and registrations required for carrying on our business activities.

BUSINESS

The table below sets forth a summary of the material licences held by our Group for our Self-operated Outlets and Restaurants as at the Latest Practicable Date:

Licence holder	Issuing authority	Licence type	Self-operated Outlet/Restaurant	Expiry date
Singapore:				
Shihlin (HM)	National Environment Agency, Singapore	Licence to operate a foodshop (Takeaway)	Jurong Point Shopping Centre	19 January 2020
Shihlin (HM)	National Environment Agency, Singapore	Licence to operate a foodshop (Takeaway)	313@Somerset	7 March 2020
STSS Company	National Environment Agency, Singapore	Licence to operate a foodshop (Takeaway)	Far East Plaza	7 March 2020
Shihlin (TM)	National Environment Agency, Singapore	Licence to operate a foodshop (Takeaway)	IMM	19 October 2019
Umami	Singapore Food Agency, Singapore	Licence to operate a foodshop (Takeaway)	Compass One	30 August 2020
Shihlin (HM)	Singapore Food Agency, Singapore	Licence to operate a foodshop (Takeaway)	EastPoint Mall	28 July 2020
Shihlin (HM)	Singapore Food Agency, Singapore	Licence to operate a foodshop (Takeaway)	Tampines Mall	26 June 2020
Umami	National Environment Agency, Singapore	Licence to operate a foodshop (Takeaway)	Ang Mo Kio Hub	16 January 2020
Shihlin (NP)	Singapore Food Agency, Singapore	Licence to operate a foodshop (Takeaway)	North Point	6 June 2020
Umami	Singapore Food Agency, Singapore	Licence to operate a foodshop (Takeaway)	Nex Serangoon	14 June 2020
Umami	Singapore Food Agency, Singapore	Licence to operate a foodshop (Takeaway)	Pasir Ris MRT Station	28 June 2020
STSS Company	National Environment Agency, Singapore	Licence to operate a foodshop (Takeaway)	Square 2	28 April 2020
Umami	Singapore Food Agency, Singapore	Licence to operate a foodshop (Takeaway)	Woodlands Exchange	29 September 2020
Umami	Singapore Food Agency, Singapore	Licence to operate a foodshop (Takeaway)	Tiong Bahru Plaza	1 August 2020
Umami	Singapore Food Agency, Singapore	Licence to operate a foodshop (Takeaway)	Paya Lebar Quarter	12 August 2020
STSS Integrated	Agri-Food & Veterinary Authority, Singapore	Licence for Import, Export and Transhipment of Meat Products and Fish Products	N/A	30 November 2019
STSS Integrated	Agri-Food & Veterinary Authority, Singapore	Certificate of Registration to Import Processed Food Products and Food Appliances	N/A	31 October 2019
STSS Integrated	Agri-Food & Veterinary Authority, Singapore	Certificate of Registration of Food Storage Warehouse	N/A	29 February 2020
Malaysia:				
STSS Concepts	Majlis Bandaraya Petaling Jaya	Business premise licences	1 Utama Shopping Centre Outlet	31 December 2019
STSS Concepts	Dewan Bandaraya Kuala Lumpur	Business premise licences	The Gardens Outlet	16 November 2019
STSS Concepts	Majlis Perbandaran Subang Jaya	Business premise licences	Sunway Pyramid Outlet	7 September 2020
STSS Concepts	Dewan Bandaraya Kuala Lumpur	Business premise licences	Berjaya Times Square Outlet	14 February 2020
STSS Concepts	Majlis Perbandaran Subang Jaya	Business premise licences	IOI Mall Puchong Outlet	2 August 2020
STSS Concepts	Majlis Perbandaran Kajang	Business premise licences	BMC Mall Outlet	17 May 2020
STSS Concepts	Majlis Bandaraya Petaling Jaya	Business premise licences	Paradigm Mall, Selangor Outlet	31 December 2019
STSS Concepts	Majlis Bandaraya Ipoh	Business premise licences	AEON Mall Ipoh Klebang Outlet	3 December 2019
STSS Concepts	Majlis Perbandaran Klang	Business premise licences	AEON Mall Bukit Tinggi Outlet	31 December 2019
STSS Concepts	Majlis Perbandaran Kuantan	Business premise licences	East Coast Mall Outlet	31 December 2019
STSS Concepts	Majlis Bandaraya Johor Bahru	Business premise licences	AEON Mall Bandar Dato Onn Outlet	31 December 2019
STSS Concepts	Majlis Bandaraya Petaling Jaya	Business premise licences	Tropicana Mall Outlet	31 December 2019
STSS Concepts	Dewan Bandaraya Kuala Lumpur	Business premise licences	EkoCheras Mall Outlet	16 November 2019
STSS Resources (M)	Majlis Bandaraya Shah Alam	Store Licence	N/A	31 May 2020
STSS Resources (M)	Majlis Bandaraya Shah Alam	Trading and food industry	N/A	31 July 2020
STSS Concepts	Dewan Bandaraya Kuala Lumpur	Business premise licences	Aeon Mall, Taman Maluri Shopping Centre	21 August 2020

Our Group would normally apply for renewal of such licences around one month prior to expiry. As at the Latest Practicable Date, to the best of our Directors' knowledge, there are no facts or circumstances which may result in the suspension, revocation or cancellation of or otherwise materially adversely affect any of our licences, permits, approvals and/or exemptions and our Singapore Legal Advisers and Malaysia Legal Advisers are of the view that there should not be any material legal impediment in renewing the licences, permits, approvals and/or exemptions upon expiry.

BUSINESS

Licences held for Franchisees

Pursuant to the Operating Agreements, we have entered into arrangements with some of our Franchisees whereby we would obtain the relevant licences and permits for the Non-self-operated Outlets and Restaurants. For details on the operating arrangements, please refer to the paragraph headed “Non-self-operated Outlets and Restaurants — Operating arrangements with some of our Franchisees in Singapore and West Malaysia” in this section.

The table below sets forth a summary of licences that are owned and held by our Group for our Non-self-operated Outlets pursuant to the Operating Agreements as at the Latest Practicable Date:

<u>Outlet</u>	<u>Issuing authority</u>	<u>Licence type</u>	<u>Expiry date</u>
Waterway Point	National Environment Agency, Singapore	Licence to operate a foodshop (Takeaway)	25 January 2020

HUMAN RESOURCES

We place great emphasis on attracting and retaining qualified employees. We strive to offer competitive remuneration and are committed to investing in our employees’ training and development. Our standard remuneration package includes basic salary, paid annual and medical leave.

As at the Latest Practicable Date, we had 150 employees, of which 31 and five were full-time foreign employees located in Singapore and West Malaysia, respectively. As at the Latest Practicable Date, our Group can hire three additional foreign workers in Singapore and nil in West Malaysia, respectively. Our Singapore Legal Advisers and Malaysia Legal Advisers confirmed that our Group has complied with the applicable foreign workers’ employment laws and regulations in all material respect during the Track Record Period and up to the Latest Practicable Date. The table below sets forth a breakdown of our employees as at the Latest Practicable Date by function:

By functions	<u>Singapore</u>	<u>West Malaysia</u>	<u>Total</u>
Finance and Administration	2	—	2
Sales and Marketing	2	4	6
Business Development	1	1	2
Operations and Logistics	5	7	12
Partnership and Leasing	—	1	1
Outlet Staff	<u>113</u>	<u>14</u>	<u>127</u>
Total full-time employees	54	27	81
Total part-time employees (<i>Note</i>)	<u>69</u>	<u>—</u>	<u>69</u>
TOTAL	<u>123</u>	<u>27</u>	<u>150</u>

Note: Part-time employees are mainly for Outlet operations.

BUSINESS

As at the Latest Practicable Date, we engaged 62 outlet staff through the labour agencies for our operation of Self-operated Restaurants in West Malaysia.

Recruitment

We generally recruit our employees on our own or through recruitment agencies. We also engage labour agencies for operation of our Outlets or Restaurants, which are responsible for all statutory contributions including costs of social insurance and benefit and work injury compensation.

Employee handbook

We have in place an employee handbook and policies approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanism, negligence and corruption. We provide employees with regular trainings and resources to explain the guidelines contained.

During the Track Record Period, we did not experience any material staff or labour disputes.

PROPERTIES

Owned properties

In April 2018, we purchased office premises in Singapore of approximately 1,873 sq.ft situated at 10 Anson Road, #21-02, 02A, 03, 03A, International Plaza, Singapore 079903 (the “**Properties**”). The acquisition of our office premises is financed by a property mortgage which was secured by the personal guarantees of our Controlling Shareholders. For further details, please refer to the section headed “Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Financial independence” of this prospectus.

As at the Latest Practicable Date, our Group occupied #21-02/02A/03 for office use and #21-03A has been leased out since April 2018.

Lease properties

As at the Latest Practicable Date, we leased 38 premises for our Shihlin Outlets and Restaurants in Singapore and West Malaysia (including nine leases for the operating arrangement of which eight have already been entered into the Operating Agreements), three premises for our Singapore warehouse and West Malaysia warehouse and one premise as our office premise in West Malaysia. For FY2017, FY2018 and FY2019, we incurred rental and related expenses of approximately S\$1.2 million, S\$1.5 million and S\$1.7 million, respectively. All of our Self-operated Outlets and Restaurants are operated on leased properties, please refer to the paragraph headed “Self-operated Outlets and Restaurants” in this section for details of our leases in respect of our Self-operated Outlets and Restaurants.

BUSINESS

The table below sets forth the leases entered into by our Group for purposes other than the operation of Self-operated Outlets and Restaurants, being our office premises and warehouses as at the Latest Practicable Date:

No.	Use	Location	Expiration date of tenancy agreement	Size
1.	Malaysia Office	Unit 12-3A, Menara Mbm, No. 1, Jalan Syed Putra, 50460, Kuala Lumpur, Malaysia	31 August 2021	1,060 sq.ft.
2.	Singapore Warehouse	Blk 192 Pandan Loop #02-33 Pantech Business Hub, Singapore 128381	30 September 2019 <i>(Note)</i>	2,757 sq.ft.
3.	Malaysia Warehouse	No. 5-G & No. 7-G (Ground Floor) Jalan Bulan BS U5/BS, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan	31 July 2020	3,520 sq.ft.
4.	Malaysia Warehouse	No. 37G & 1st Floor, Jalan Bulan BP U5/BP, Bandar Pinggiran Subang U5, 40150 Shah Alam, Selangor Darul Ehsan	30 September 2020	3,420 sq.ft.

Note: As at 5 September 2019, we have informed our landlord of our intention to renew the lease and we have not received any intention of non-renewal from the landlord. Subject to the terms for renewal being similar to the existing lease terms, our Directors expect to renew the lease.

The table below sets forth the leases for the operating arrangement as at the Latest Practicable Date:

No.	Franchise Outlet/ Restaurant	Location	Month/year of opening or expected opening	Expiration date of tenancy agreement	GFA
Singapore					
1	Waterway Point	83 Punggol Central #B2-K3 Waterway Point Singapore 828761	January 2016	January 2021	145 sq.ft.
Malaysia					
1	AEON Mall Ipoh Station 18	Lot S20, AEON Mall Ipoh Station 18, No. 2, Susuran Stesen 18, 31650 Ipoh, Perak	March 2012	March 2020	437 sq.ft.

BUSINESS

No.	Franchise Outlet/ Restaurant	Location	Month/year of opening or expected opening	Expiration date of tenancy agreement	GFA
2	Capital City	FG-067B & 068B, Kompleks Kapital, Jalan Tampoi, Kawasan Perindustrian Tampoi 81200 Johor Bahru, Johor, Malaysia	October 2018	October 2020	668 sq.ft.
3	KL Eco City Mall	Lot L3-14, KL Eco City Mall, No. 3, Jalan Bangsar, KL Eco City 59200 Kuala Lumpur, Malaysia	January 2019	January 2021	301 sq.ft.
4	MYTOWN Shopping Centre	Lot B1-048, MyTOWN Shopping Centre, No. 6, Jalan Cochrane, Seksyen 90 55100 Kuala Lumpur, Malaysia	March 2017	March 2021	327 sq.ft.
5	Southkey Megamall	Lot T-009 (3rd floor), Southkey Mid Valley Megamall, 81100 Johor Bahru, Johor, Malaysia	August 2019	August 2022	482 sq.ft.
6	AEON Tebrau City	Lot S31, AEON Tebrau City Shopping Centre, 1 Jalan Desa Tebrau, Taman Desa Tebrau Johor Bahru, 81100 Johor, Malaysia	August 2011	October 2019	527 sq.ft.
7	AEON Mall Nilai	Lot S10, AEON Mall Nilai, No. 2, Persiaran Pusat Bandar Putra Point, 71800 Bandar Baru Nilai Negeri Sembilan Darul Khusus, Malaysia	January 2019	January 2022	561 sq.ft.
8	Toppen Shopping Centre	Lot L3.11, TOPPEN Shopping Centre, No. 33, Jalan Harmonium, Taman Desa Tebrau, 81100 Johor Bahru, Johor Daruk Takzim, Malaysia	November 2019	November 2022	600 sq.ft.

Our Directors confirmed that all of the leased properties as at the Latest Practicable Date were leased from Independent Third Parties.

BUSINESS

INTELLECTUAL PROPERTIES

Our brand, trademarks, copyright, designs and other intellectual property rights are crucial to our business.

For further details on our registered trademarks and domain name, please refer to the section headed “Statutory and General Information — Further information about the business of our Group — 8. Intellectual Property Rights of our Group” in Appendix V to this prospectus.

ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

Due to the nature of our business, no pollutant is produced, emitted or discharged during the course of business operations. As such, we are not subject to any specific rules and regulations in relation to the environmental protection matters in the countries we are operating in. We have taken measures to facilitate the environmental-friendliness of our workplace by encouraging a recycling culture within our Group.

OCCUPATIONAL HEALTH AND SAFETY

We are dedicated to protecting the health and safety of our employees as well as workers of our Franchisees and Licensee. To achieve this goal, we have adopted an operations manual outlining a set of safety and security procedures and measures to be implemented at each of our Self-operated Outlets and Restaurants and our warehouses and at the Non-self-operated Outlets and Restaurants. We have implemented safety guidelines in relation to safety control procedures and standards, including procedures for handling safety issues, accident investigation procedures, protective and remedial measures and accident reporting procedures. We require all our employees to comply strictly with these guidelines. We also carry out regular safety checks at our central kitchen in West Malaysia to ensure that the equipment is thoroughly tested and safe for use. We also require operators of our processing equipment at our central kitchen in West Malaysia to attend training sessions on the required safety standards. Furthermore, all our employees are provided with an internal health and safety manual.

To ensure compliance with applicable laws and regulations, we will review our operations manual from time to time to accommodate material changes to relevant health, safety or environmental regulations in the countries we operate in and commonly adopted market practices.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any serious accident or safety issue and none of the members of our Group was penalised for non-compliance with health, safety or environmental regulations in Singapore or Malaysia.

BUSINESS

INSURANCE

During the years ended 31 March 2017, 2018 and 2019, our total insurance expenses amounted to approximately S\$10,000, S\$12,000 and S\$18,000, respectively.

As at the Latest Practicable Date, we maintained a retail business package policy, fire and public liability insurance policies in respect of our Self-operated Outlets in Singapore and/or Self-operated Restaurants in West Malaysia providing insurance coverage against, among others, fire and extra perils, business interruption, burglary, loss of money from insured premises or whilst in transit, public liability insurance for accidental bodily injury or property damage to third party in connection with our business, work injury compensation, personal accident, plate glass and fidelity guarantee against direct pecuniary losses sustained by acts of fraud or dishonesty committed by any insured employees.

We require all requisite insurance under the applicable laws and regulations to be taken out in respect of each Non-self-operated Outlet and Restaurant.

Our Directors believe our existing insurance coverage was adequate and consistent with the industry practices in the respective places of our business operations as at the Latest Practicable Date. Our Directors will review our insurance coverage from time to time having regard to our risk portfolio to ensure our insurance coverage remains adequate and consistent with the industry practices. During the Track Record Period and up to the Latest Practicable Date, no material claims have been made in respect of any insurance policies maintained by members of our Group.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, none of the members of our Group was involved in nor had we been aware of any pending or threatened legal proceedings, claims or arbitration which would have a material adverse effect on our business, results of operations, financial condition or reputation.

REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Group had complied with all applicable laws and regulations in Singapore and Malaysia in connection with the operations of our Self-operated Outlets in Singapore and Self-operated Restaurants in Malaysia in all material respects.

During the Track Record Period and up to the Latest Practicable Date, none of the members of our Group was involved in any regulatory inquiries or investigations (including hygiene of our Self-operated Outlets and Restaurants) of material importance in Singapore or Malaysia, which would have a material adverse effect on our business, results of operations, financial condition or reputation.

RISK MANAGEMENT

The ultimate goal of our risk management process is to identify and mitigate potential issues that may arise during our business operations and which may jeopardise our business operations.

We are dedicated to the establishment and maintenance of a robust internal control system. We have adopted and implemented risk management policies and corporate governance measures in various aspects of our business operations such as financial reporting, quality control and food safety and sales activities.

Financial reporting risk management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We provide ongoing trainings to our finance staff to ensure that these policies are well-observed and effectively implemented.

Quality control and food safety risk management

Quality control and food safety is one of our highest priorities. We place significant emphasis on quality control and food safety to provide safe and high-quality products. We have adopted a well-established supervisory and management system for quality control and food safety covering each phase of our operation including procurement, production, inventory and logistics. For details of our quality control team and the measures we have implemented for quality control and food safety, please refer to the paragraph headed “Quality Control and Food Safety — Food safety management” in this section.

Sales activities risk management

We have implemented a series of policies and procedures to prevent potential corruption incidents. We set forth our anti-corruption policies in our employee handbook and code of conduct.

We actively monitor laws and regulations relating to our overseas sales and have implemented internal measures to ensure our compliance, which primarily include establishing guidelines for overseas sales and providing relevant training to our senior management and overseas sales staff.

CORPORATE GOVERNANCE

We continuously strive to strengthen the role of our Board as a body responsible for decision-making concerning our fundamental policies and upper-level management issues, and supervising the execution of our operation. Our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge.

We have strengthened our auditing system to ensure the appropriate functioning of the risk management and operation oversight systems. We have established the Audit Committee which comprises our three independent non-executive Directors being Mr. Lim Wee Pin, Mr. Jong Voon Hoo and Mr. Koh Boon Chiao to review and monitor the effectiveness of our financial controls, internal control and risk management systems.

MARKET AND COMPETITION

Competition

According to the Frost & Sullivan Report, the fast food industry in Singapore is expected to grow in the forthcoming years driven by market drivers such as affordable food product prices and convenience and opportunities with increasing frequency of diners in Singapore. Similarly, the fast food industry in Malaysia is expected to grow in the forthcoming years driven by market drivers such as increasing tourism market and opportunities with increasing demands from consumers in Malaysia for higher services efficiency and greater food variety. According to the Frost & Sullivan Report, the market size of fast food industry in Singapore and Malaysia will grow by way of increase in number of outlets and restaurants and organic growth of the existing outlets and restaurants in the industry. Competition of the Singapore fast food industry is fierce and dominated by international chained operators, whereas the fast food industry in Malaysia is mainly comprised of chain stores with chicken as the predominant style due to the lifestyle and habits of Muslim who take up over 60% of the population of Malaysia in 2018. Different fast food brands compete on quality of food, price, brand image and the ability to meet customers' tastes and preferences. The food products offered by our Group which are Asian flavours are believed to be more appealing to consumers in Asian countries such as Singapore and Malaysia. As compared to small domestic players, our Group has established broad outlet network to approach more customers in both Malaysia and Singapore with those outlets being located in places with massive customer traffic such as shopping malls, MRT stations and transport hubs in Singapore, while in Malaysia, our Group has extended its geographic reach in nine states. For further details on the analysis of the industry we operated in, please refer to the section headed "Industry Overview" of this prospectus.

Seasonality

Our business is subject to seasonal fluctuations. During the Track Record Period, we generally recorded relatively higher revenue in November, December and January. Our Directors are of the view that the higher revenue recorded in November, December and January was attributable to the higher customer spending during holiday and festival periods, such as the Christmas and the New Year's Eve.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board is responsible and has general power for the management and conduct of our business. Our Board consists of two executive Directors and three independent non-executive Directors. The table below sets out some information of our respective members of the Board:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Date of appointment as Director</u>	<u>Main roles and responsibilities</u>	<u>Relationship with other Director(s) and/or senior management</u>
Executive Directors						
Mr. Daniel Tay Kok Siong	41	Chairman, and executive Director	4 June 2003	2 February 2018	Overall management, financial performance and business development of our Group, member of the Remuneration Committee	N/A
Mr. Wong Chee Tat (黃志達)	40	Chief executive officer and executive Director	4 June 2003	2 February 2018	Overseeing the execution of strategic planning and supervising the operations of our Group, member of the Remuneration Committee	Brother of Mr. Wong Chee Keong
Independent non-executive Directors						
Mr. Jong Voon Hoo (楊文豪)	47	Independent non-executive Director	23 September 2019	23 September 2019	Chairman of the Nomination Committee, member of the Audit Committee and the Remuneration Committee, providing independent judgement on issues of strategy, policy, accountability and standard of conduct	N/A

DIRECTORS AND SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Date of appointment as Director</u>	<u>Main roles and responsibilities</u>	<u>Relationship with other Director(s) and/or senior management</u>
Mr. Koh Boon Chiao (許聞釗)	39	Independent non-executive Director	23 September 2019	23 September 2019	Chairman of the Remuneration Committee, member of the Audit Committee and the Nomination Committee, providing independent judgement on issues of strategy, policy, accountability and standard of conduct	N/A
Mr. Lim Wee Pin (林偉彬)	48	Independent non-executive Director	23 September 2019	23 September 2019	Chairman of the Audit Committee, member of the Remuneration Committee and the Nomination Committee, providing independent judgement on issues of strategy, policy, accountability and standard of conduct	N/A

Executive Directors

Mr. Daniel Tay Kok Siong, aged 41, is the co-founder of our Group and has been with our Group since 4 June 2003. He was appointed as a Director on 2 February 2018. On 11 September 2018, Mr. Tay was re-designated as an executive Director and appointed as the Chairman of our Board. He is also a director of all of our Company's subsidiaries. Mr. Tay is responsible for the overall management, financial performance and business development of our Group.

Mr. Tay obtained a Bachelor of Arts degree in August 2002 and completed a Bachelor of Social Sciences in Economics degree programme in June 2003, both from The National University of Singapore. Upon graduation, Mr. Tay co-founded our Group with Mr. Wong in June 2003 and has been our Group's director for business development.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tay was a director of the following entities at the time or within 12 months from the time of their respective dissolution. The relevant details are as follows:

Company name	Place of incorporation	Nature of business prior to dissolution	Date of dissolution	Means of dissolution
Blue Squid Pte. Ltd.	Singapore	Wholesale trade; value added logistics providers	3 September 2011	Struck off
Asset Foundry Pte. Ltd.	Singapore	Real estate activities; letting and operating of self-owned real estate except food courts, coffee shops and eating houses	11 March 2015	Struck off
Big Shot Holdings Pte. Ltd.	Singapore	Real estate activities	12 September 2014	Struck off
IP Asset Management Pte. Ltd.	Singapore	Real estate activities	4 September 2019	Struck off

Mr. Tay has confirmed that each of the above dissolved companies was solvent at the relevant time. He further confirmed that there is no fraudulent act or misfeasance on his part leading to the dissolution of each of such companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of each of such companies.

Mr. Tay did not hold any current or past directorships in any listed companies for the last three years.

Mr. Wong Chee Tat (黃志達), aged 40, is the co-founder of our Group and has been with our Group since 4 June 2003. He was appointed as a Director on 2 February 2018. He was re-designated as an executive Director and appointed as the chief executive officer on 11 September 2018. He is also a director of all of our Company's subsidiaries. Mr. Wong is responsible for overseeing the execution of strategic planning and supervising the operations of our Group.

Mr. Wong obtained a Bachelor of Engineering (Mechanical Engineering) degree from The National University of Singapore in June 2003. Upon graduation, Mr. Wong co-founded our Group with Mr. Tay in June 2003 and has been our Group's director for operations.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong was a director or owner of the following entities at the time or within 12 months from the time of their respective dissolution. The relevant details are as follows:

Company name	Place of incorporation	Nature of business prior to dissolution	Date of dissolution	Means of dissolution
Asset Foundry Pte. Ltd.	Singapore	Real estate activities; letting and operating of self-owned real estate except food courts, coffee shops and eating houses	11 March 2015	Struck off
Big Shot Holdings Pte. Ltd.	Singapore	Real estate activities	12 September 2014	Struck off
Wellth Property Managers Pte. Ltd.	Singapore	Residential real estate management other than town councils; commercial and industrial real estate management	9 March 2017	Struck off
Aspire Education Centre	Singapore	Commercial schools offering higher education programmes	28 September 2005	Ceased registration
Ezyclean Laundry Services	Singapore	Laundry and dry cleaning services except coin laundries	13 March 2005	Cancelled
IP Asset Management Pte. Ltd.	Singapore	Real estate activities	4 September 2019	Struck off

Mr. Wong has confirmed that each of the above dissolved companies was solvent at the relevant time. He further confirmed that there is no fraudulent act or misfeasance on his part leading to the dissolution of each of such companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of each of such companies.

Mr. Wong did not hold any current or past directorships in any listed companies for the last three years.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Jong Voon Hoo (楊文豪) (“Mr. Jong”), aged 47, was appointed as an independent non-executive Director on 23 September 2019. Mr. Jong is currently a director of Global Invest & Advisory Pte. Ltd., an investment consultancy and advisory firm, since October 2015.

Mr. Jong has over 19 years of experience in accounting and auditing. Mr. Jong joined Arthur Andersen LLP in July 1996 as a staff accountant in the assurance & business advisory division. He was promoted to senior in September 1998 and further promoted to manager in September 2001 until he left the firm in June 2002. Mr. Jong served as a manager of Deloitte & Touche LLP and engaged in audit work from November 2002 to June 2004, and subsequently promoted to senior manager in July 2004 until he left the firm in September 2004. He was a chief financial officer of Green Build Technology Limited (formerly known as Youcan Foods International Limited and Youyue International Limited), a company listed on the Singapore Exchange (stock code: Y06), from October 2004 to August 2015.

Mr. Jong obtained a Bachelor of Accountancy degree from the Nanyang Technological University in Singapore in June 1996. He has been a Chartered Accountant of Singapore and a member of the Institute of Singapore Chartered Accountants since September 1999.

Mr. Jong has been an independent non-executive director of SingAsia Holdings Limited (stock code: 8293), a company whose shares are listed on GEM of the Stock Exchange, since June 2016. He has been an independent director of Sheng Siong Group Ltd., a company listed on the Singapore Exchange (stock code: OV8), since June 2011. He has been a lead independent director of Reclaims Global Limited, a company listed on the Singapore Exchange (stock code: NEX), since January 2019. Save as disclosed, Mr. Jong did not hold any current or past directorships in any listed companies for the last three years.

Mr. Koh Boon Chiao (許聞釗) (“Mr. Koh”), aged 39, was appointed as an independent non-executive Director on 23 September 2019. Mr. Koh has also been appointed as a vice president legal of ICHX Tech Pte. Ltd. commencing since March 2019. He is responsible for providing legal support, as well as promoting, developing and extending the business of such company.

Mr. Koh has over 12 years of experience in the legal industry. He started his career with Shook Lin & Bok LLP as an associate from May 2006 to October 2010. He was a partner of Dentons Rodyk & Davidson LLP since October 2010 until he left the firm in July 2016. Mr. Koh joined Parkway Group Healthcare Pte. Ltd. as an assistant vice president of the legal department from July 2016 to February 2018, where he was responsible for reviewing and advising on legal matters of the company. He was a head of legal of TenX Pte. Ltd. from April 2018 to February 2019 and was responsible for managing and executing the legal activities, as well as providing strategic advice to the chief executive, board and senior management of the company.

Mr. Koh obtained a Bachelor of Laws degree from the National University of Singapore in June 2005. He has been in practice since he qualified as a lawyer in Singapore in May 2006.

Mr. Koh did not hold any current or past directorships in any listed companies for the last three years.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lim Wee Pin (林偉彬) (“Mr. Lim”), aged 48, was appointed as an independent non-executive Director on 23 September 2019. Mr. Lim is currently a chief finance officer of C. Melchers GmbH & Co. since September 2019.

Mr. Lim has over 20 years of experience in corporate financing, accounting, financial advisory and project management. Mr. Lim firstly worked in KPMG as a graduate assistant in the assurance units in December 1995. He left the firm in May 2003 as a consulting manager. He later served as an internal audit manager of Intraco Limited in July 2003, and was promoted to director of the corporate planning and M&A department in March 2008. He became chief financial operating officer and executive director of Tangmu Food Products Co. Ltd. from April 2008 to June 2012, and an assistant general manager of Robinsons & Co (Singapore) Pte. Ltd. to oversee the finance and logistics team from July 2012 to February 2014. He was a principal consultant of Strategicom Pte. Ltd. from April 2014 to June 2014 providing consulting services to clients and strategic assistance to projects managed by other consultant of the company. Mr. Lim was the chief financial officer of Aalst Chocolate Pte. Ltd. from March 2015 to March 2017, and a chief financial (operating) officer of YSQ International Pte. Ltd. from April 2017 to October 2017 and responsible for the finance and operations of the company. Mr. Lim was a finance general manager of Crystal SL Global Pte. Ltd. from March 2018 to September 2019.

Mr. Lim obtained a Bachelor of Accountancy from the Nanyang Technological University in Singapore in June 1995. He has been a Chartered Accountant of Singapore and a member of the Institute of Singapore Chartered Accountants since July 2000.

Mr. Lim was a director or owner of the following entities at the time or within 12 months from the time of their respective dissolution. The relevant details are as follows:

Company name	Place of incorporation	Nature of business prior to dissolution	Date of dissolution	Means of dissolution
Syvhav Pte. Ltd.	Singapore	Wholesale trade	8 May 2017	Struck off
LWP Investoring	Singapore	Corporate finance advisory services	2 April 2015	Cancelled

Mr. Lim has confirmed that each of the above dissolved companies was solvent at the relevant time. He further confirmed that there is no fraudulent act or misfeasance on his part leading to the dissolution of each of such companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of each of such companies.

Mr. Lim did not hold any current or past directorships in any listed companies for the last three years.

Save as disclosed, each of our Directors has confirmed that there are no other matters relating to his appointment as a Director that need to be brought to the attention of our Shareholders and the Stock Exchange and there is no matter which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

As at the Latest Practicable Date, save as disclosed, none of our Directors held any interest in the Shares within the meaning of Part XV of the SFO.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management consists of all of the executive Directors, the Financial Controller and the company secretary, and certain managerial positions. Our senior management is responsible for the day-to-day management of our Company's business. For the biographical details of our executive Directors who form part of the senior management, please refer to the paragraph headed "Directors" in this section. The table below sets forth certain information concerning the senior management, apart from our executive Directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Main roles and responsibilities</u>	<u>Relationship with other Director(s) and senior management</u>
Mr. Wong Chee Keong (黃志強)	42	Head of operations	19 February 2009	Leading the operations team and overseeing the operations of outlets and food safety	Brother of Mr. Wong Chee Tat
Mr. Huang Guosheng, Barry (黃國贍)	33	Financial controller	30 January 2018	Maintaining the finance operations and reporting, strategic implementation and the internal control systems of our Group	N/A
Ms. Ng Qiu Yi (吳秋儀)	25	Head of advertising and promotion	4 June 2013	Handling marketing and advertising of our Group	N/A

Mr. Wong Chee Keong (黃志強) ("Mr. Alex Wong"), aged 42, joined our Group on 19 February 2009 as a deputy manager (operations) and was promoted to his current position as a head of operations of our Group in January 2015. He is responsible for leading the operations team of our Group and overseeing the operations of outlets and food safety, including the inventory usage, expenditure reports and manpower planning.

Prior to joining our Group, Mr. Alex Wong was an operation manager of Viewers Choice Pte Ltd., a company engaged in the sales and retail business, from March 2002 to February 2009.

Mr. Alex Wong obtained a Diploma in Electrical Engineering from the Ngee Ann Polytechnic in Singapore in August 1999.

Mr. Alex Wong did not hold any current or past directorships in any listed companies for the last three years. Save as being the brother of Mr. Wong, Mr. Alex Wong does not have any relationship with any of our Directors.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang Guosheng, Barry (黃國騰) (“Mr. Huang”), aged 33, joined our Group on 30 January 2018 as a financial controller. He is responsible for maintaining the finance operations and reporting, strategic implementation and the internal control systems of our Group.

Prior to joining our Group, Mr. Huang worked at KPMG Services Pte. Ltd., a Singapore incorporated company and the Singapore member firm of a Swiss entity, KPMG International Cooperative, from June 2014 to January 2018. Mr. Huang also served as an associate in the assurance department of Foo Kon Tan Grant Thornton LLP (currently known as Foo Kon Tan LLP) from May 2012 to June 2014, where he engaged in assurance work.

Mr. Huang completed the Association of Chartered Certified Accountants (“ACCA”) programme in December 2011. He obtained a Bachelor of Science degree in Applied Accounting from the Oxford Brookes University in March 2012. He was admitted as an Associate (ICPAS) of the Institute of Certified Public Accountants of Singapore (currently known as the Institute of Singapore Chartered Accountants) in May 2012 and is currently a Chartered Accountant of Singapore registered under the Singapore Accountancy Commission.

Mr. Huang did not hold any current or past directorships in any listed companies for the last three years.

Ms. Ng Qiu Yi (吳秋儀) (“Ms. Ng”), aged 25, joined our Group on 4 June 2013 as marketing assistant, and was promoted to head of advertising and promotion in January 2016 and is currently responsible for handling the marketing and advertising of our Group.

Ms. Ng obtained a Diploma in Marketing by the Temasek Polytechnic (Singapore) in May 2013. She has completed a part-time Bachelor of Science in Marketing degree programme provided by the Singapore University of Social Sciences in September 2018.

Ms. Ng did not hold any current or past directorships in any listed companies for the last three years.

COMPANY SECRETARY

Sir Kwok Siu Man (郭兆文) KR (“Sir Seaman Kwok”), aged 60, was appointed as the company secretary of our Company on 11 September 2018, and is responsible for the corporate secretarial matters of our Company. He is an executive director and the head of corporate secretarial of Boardroom Corporate Services (HK) Limited (“Boardroom”) and a director of Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar of our Company.

Prior to joining Boardroom group in September 2013, Sir Seaman Kwok had about 30 years of legal, corporate secretarial and management experience. He oversaw primarily the company secretarial, corporate governance, regulatory compliance and legal (including trademark and copyright) matters while performing his company secretary’s role for his previous employers overseas and in Hong Kong (including Great Eagle Holdings Limited (stock code: 41), a former Hang Seng Index Constituent stock company, K. Wah International Holdings Limited (stock code: 173) and Lai Sun Development Company Limited (stock code: 488)). He was responsible for overseeing the business development and operations when working as the managing director of a leading financial printer in Hong Kong with international affiliation.

DIRECTORS AND SENIOR MANAGEMENT

Sir Seaman Kwok obtained a Professional Diploma in Company Secretaryship and Administration and a Bachelor of Arts degree in Accountancy from Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1983 and November 1994, respectively. Sir Seaman Kwok completed a course for the post-graduate diploma in laws at the Manchester Metropolitan University in the United Kingdom (“UK”) and passed the Common Professional Examinations in England and Wales in July 1998. Sir Seaman Kwok was admitted as a fellow member of The Institute of Chartered Secretaries and Administrators in the UK (the “ICSA”), The Hong Kong Institute of Chartered Secretaries (the “HKICS”) and The Institute of Financial Accountants in England in October 1990, August 1994 and July 1996, respectively. He has also been a fellow member of The Association of Hong Kong Accountants, The Hong Kong Institute of Directors and the Institute of Public Accountants in Australia since June 2014, July 2014 and April 2015, respectively, a Chartered Governance Professional of both the ICSA and the HKICS since September 2018 and a member of the Hong Kong Securities and Investment Institute (formerly known as Hong Kong Securities Institute) since April 1999. Sir Seaman Kwok was a council member of HKICS from May 1989 to December 2005 and from December 2008 to May 2010 and the chief examiner of the “Hong Kong Company Secretarial Practice” module of its international qualifying scheme from June 1997 to June 1999. He was conferred as a Knight of Rizal of the Philippines on 14 June 2019.

Sir Seaman Kwok served as an independent non-executive director of Grand Ocean Advanced Resources Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 65), from February 2015 to February 2016, and has been serving as an independent non-executive director of Tak Lee Machinery Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8142), since June 2017. Sir Seaman Kwok is also the company secretary or a joint company secretary of the following companies listed on the Stock Exchange:

<u>Name and stock code</u>	<u>Main Board or GEM</u>	<u>Position</u>	<u>Period of service</u>
ELL Environmental Holdings Limited (stock code: 1395)	Main Board	Company secretary	Since March 2014
China New Town Development Company Limited (stock code: 1278)	Main Board	Company secretary	Since August 2016
Tsui Wah Holdings Limited (stock code: 1314)	Main Board	Company secretary	Since September 2016
SouthGobi Resources Ltd. (<i>Note</i>) (Hong Kong stock code: 1878) (Toronto stock code: SGQ)	Main Board	Hong Kong company secretary	Since October 2016
S&P International Holding Limited (stock code: 1695)	Main Board	Joint company secretary	From March 2017 to November 2017
		Company secretary	Since November 2017

DIRECTORS AND SENIOR MANAGEMENT

<u>Name and stock code</u>	<u>Main Board or GEM</u>	<u>Position</u>	<u>Period of service</u>
BGMC International Limited (stock code: 1693)	Main Board	Company secretary	Since July 2017
Xinghua Port Holdings Ltd. (stock code: 1990)	Main Board	Joint company secretary	Since July 2017
Prosper One International Holdings Company Limited (stock code: 1470)	Main Board	Company secretary	Since September 2017
China Machinery Engineering Corporation (stock code: 1829)	Main Board	Joint company secretary	Since February 2018
YuanSheng Tai Dairy Farm Limited (stock code: 1431)	Main Board	Joint company secretary	Since June 2018
AM Group Holdings Limited (stock code: 1849)	Main Board	Company secretary	Since June 2018
Sino Harbour Holdings Group Limited (stock code: 1663)	Main Board	Company secretary	Since August 2018
Apex Ace Holding Limited (stock code: 6036)	Main Board	Company secretary	Since August 2018
Oriental University City Holdings (H.K.) Limited (stock code: 8067)	GEM	Company secretary	Since September 2013
Chong Sing Holdings FinTech Group Limited (stock code: 8207)	GEM	Company secretary	Since July 2014
Anacle Systems Limited (stock code: 8353)	GEM	Joint company secretary	Since November 2016
Asia Pioneer Entertainment Holdings Limited (stock code: 8400)	GEM	Company secretary	Since March 2017
Furniweb Holdings Limited (stock code: 8480)	GEM	Company secretary	From March 2017 to March 2019
		Joint company secretary	Since March 2019
EDICO Holdings Limited (stock code: 8450)	GEM	Joint company secretary	Since June 2017

DIRECTORS AND SENIOR MANAGEMENT

<u>Name and stock code</u>	<u>Main Board or GEM</u>	<u>Position</u>	<u>Period of service</u>
Republic Healthcare Limited (stock code: 8357)	GEM	Company secretary	Since January 2018
K Group Holdings Limited (stock code: 8475)	GEM	Company secretary	Since February 2018
Mansion International Holdings Limited (stock code: 8456)	GEM	Company secretary	Since May 2018
Nexion Technologies Limited (stock code: 8420)	GEM	Company secretary	Since December 2018
Bar Pacific Group Holdings Limited (stock code: 8432)	GEM	Joint company secretary	Since December 2018

Note: The shares of the company are dual-listed on the Stock Exchange and the Toronto Stock Exchange.

Sir Seaman Kwok has confirmed that as an executive director of Boardroom Corporate Services (HK) Limited and the head of its corporate secretarial department, he has been receiving sufficient support from a pool of professional corporate secretarial staff who has the academic and professional qualifications and/or relevant experience in providing corporate secretarial services to listed companies, including associate members of The Hong Kong Institute of Chartered Secretaries. Sir Seaman Kwok has further confirmed that he maintained good attendance records and attended annual general meetings of the respective listed companies in accordance with the scope of services contained in the relevant letters of engagement as from their dates of listing on the Stock Exchange, meetings of board of directors and other general meetings that he had been requested to attend and he was not aware of any complaints about his performance in such attendance.

Pursuant to the Corporate Governance Code set out in Appendix 14 to the Listing Rules, the company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors. Our Directors are of the view that Sir Seaman Kwok has the requisite qualifications, experience and skill as a company secretary. Sir Seaman Kwok has also confirmed that he would allocate sufficient time to our Company in discharging his duties as its company secretary and allow our Directors to have access to him for advice and services, when needed.

Further, our Company confirms that Sir Seaman Kwok will be supported by a team of accounting and administrative staff of our Group and Mr. Tay, our executive Director and Mr. Huang, our financial controller, will assist Sir Seaman Kwok to discharge his corporate secretarial duties.

Therefore, our Directors are of the view, and the Sole Sponsor concurs, that Sir Seaman Kwok will be able to discharge his duties and responsibilities as our Company's company secretary.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

The Audit Committee, Remuneration Committee and Nomination Committee of our Company were approved to be established by resolutions passed by our Board on 23 September 2019. Each of the three committees has written terms of reference. The functions of the three committees are summarised as follows:

Audit Committee

Our Company will establish an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraphs C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Lim Wee Pin, Mr. Jong Voon Hoo and Mr. Koh Boon Chiao. Mr. Lim Wee Pin is the chairman of the Audit Committee who possesses the appropriate and requisite professional qualifications as required under Rule 3.10(2) of the Listing Rules.

The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of our Group's financial reporting system, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Remuneration Committee

Our Company will establish a Remuneration Committee with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of two executive Directors and three independent non-executive Directors, namely, Mr. Daniel Tay Kok Siong, Mr. Wong Chee Tat, Mr. Jong Voon Hoo, Mr. Koh Boon Chiao and Mr. Lim Wee Pin. Mr. Koh Boon Chiao is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include (i) making recommendations to our Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination Committee

Our Company will establish a Nomination Committee with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three independent non-executive Directors, namely, Mr. Jong Voon Hoo, Mr. Koh Boon Chiao and Mr. Lim Wee Pin. Mr. Jong Voon Hoo is the chairman of the Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

The primary duties of our Nomination Committee are to review the structure, size and composition (including but not limited to skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement our Company's corporate strategy; identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of our independent non-executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of our Chairman and the chief executive officer.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the Listing.

Our Directors have a balanced mix of experiences and industry background, including but not limited to experiences in food and beverage, investment consultancy and advisory, legal and accounting and auditing industries. The three independent non-executive Directors who have different industry backgrounds, represent more than one-third of our Board members.

BOARD DIVERSITY POLICY

Our Company has adopted a board diversity policy (the "**Board Diversity Policy**"), the purpose of which is to enhance the effectiveness of our Board and to maintain the highest standards of corporate governance and to recognise and embrace the benefits of diversity in our Board. The Board Diversity Policy provides that our Company should endeavour to ensure that our Board has the right balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies. Pursuant to the Board Diversity Policy, we seek to achieve board diversity through the consideration of a range of diversity perspectives, including but not limited to gender, age, length of service, cultural and educational background and professional experience. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to service our Shareholders and other stakeholders going forward.

Our Board comprises five members, including two executive Directors and three independent non-executive Directors. The three independent non-executive Directors have different industry backgrounds and represent 60% of our Board members. Our Directors have a balanced mix of knowledge and experiences, including business management, human resources, finance and accounting, investment and advisory, legal and administration, in addition to knowledge of the food and beverage industry. They obtained degrees in various areas including social science, engineering, legal and accountancy. We also have a good mix of new and experienced Directors, in that of our executive Directors have been part of our Group for around 16 years, who have valuable knowledge and insight on our Group's business over the years, while our other Directors are expected to bring fresh ideas and new perspectives to our Group. The existing members of the Board were appointed after taking into account the aforesaid factors. We have also taken, and will continue to take steps to promote gender diversity at all levels of our

DIRECTORS AND SENIOR MANAGEMENT

Company, including but without limitation at the Board and senior management levels, to enhance the effectiveness of our corporate governance as a whole. Taking into account of our existing business model and the background and experience of our Directors, the composition of our Board satisfies our Board Diversity Policy.

Nevertheless, in recognising the particular importance of gender diversity and that gender diversity at the Board level can be improved given its current composition of five male Directors, our Company confirms that our Nomination Committee will, within two years from the Listing Date, identify and recommend one female candidate to our Board for its consideration on her appointment as a Director and continue to apply the principle of appointments based on merit with reference to our Board Diversity Policy as a whole. We will ensure there is gender diversity when recruiting staff at a mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in two years' time and engage more resources in training female staff who have long and relevant experience in our business, with the aim of promoting them to the senior management or directorship of our Group, noting that we currently already have one-third of senior management members comprising females. As female representation in senior roles throughout the economy and the pool of qualified females keeps growing, we expect to have more female members who would be qualified to sit on our Board from time to time. Our objective is to achieve not less than one-fifth of our Board comprising of females and one-third of our senior management comprising of females within two years from the Listing Date.

REMUNERATION

The aggregate amounts of remuneration (comprising fees, salaries, other allowances and benefits in kind, discretionary bonuses and contribution to pension schemes) of our Directors for FY2017, FY2018 and FY2019 were approximately S\$0.3 million, S\$0.3 million and S\$0.4 million, respectively. The aggregate amounts of salaries, other allowances and benefits, and contributions to pension schemes of our five highest paid individuals (excluding the emoluments paid to our Directors) for FY2017, FY2018 and FY2019 were approximately S\$198,000, S\$192,000 and S\$239,000, respectively. Details of the arrangement for remuneration are set out in Note 10 to the Accountant's Report in Appendix I to this prospectus. Under such arrangement and pursuant to our Directors' service contracts and letters of appointment referred to in the section headed "Statutory and General Information — Further information about our Directors and substantial Shareholders — 9. Directors — (a) Particulars of Directors' service contracts and letters of appointment" in Appendix V to this prospectus, the aggregate amount of Directors' fee and other emoluments payable to our Directors (excluding any discretionary bonuses) for the year ending 31 March 2020 is estimated to be approximately S\$0.4 million.

Our Group's principal policies concerning the remuneration of Directors or staff of high calibre are determined based on the relevant Director's or staff's duties, responsibilities, experience and skills. Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in relation to our operations. Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management. Our Company provides discretionary bonuses to our senior management and key employees as incentive.

DIRECTORS AND SENIOR MANAGEMENT

After Listing, our Remuneration Committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to the salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors, past Directors or the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

None of our Directors waived or agreed to waive any emoluments during the Track Record Period. Save as disclosed in the paragraph headed “Remuneration” in this section, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors and the five highest paid individuals during the Track Record Period.

EMPLOYEES

We recognise the importance of having a good relationship with our employees. The remuneration payable to the employees comprises salaries and allowances.

We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes.

COMPLIANCE ADVISER

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Lego Corporate Finance Limited as our compliance adviser to provide advisory services to our Company. Pursuant to Rule 3A.23 of the Listing Rules, it is expected that the compliance adviser will advise our Company with due care and skill on the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be discloseable or being a notifiable or connected transaction under Chapters 13, 14 and/or 14A of the Listing Rules, is contemplated including shares issues and share repurchases;
- (iii) where we propose to use the proceeds from the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of our Shares or other issues under Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), our Company will be owned as to 75% by Brilliant Stride, which in turn is owned as to 50% by Mr. Wong and 50% by Mr. Tay. As Brilliant Stride is entitled to directly exercise or control the exercise of 30% or more of the voting power of our Company's general meeting, Brilliant Stride is regarded as our Controlling Shareholder under the Listing Rules. In this regard, Mr. Wong and Mr. Tay are a group of Controlling Shareholders, further details of which are set out in the paragraph headed "Controlling Shareholders' Confirmation" in this section. Therefore, Brilliant Stride, Mr. Wong and Mr. Tay will all be regarded as our Controlling Shareholders under the Listing Rules.

During the Track Record Period, STSS Integrated sold certain food and beverage to STSS Concepts (HK) Limited, a private limited company incorporated in Hong Kong jointly owned by Mr. Tay and Mr. Wong. Mr. Tay and Mr. Wong were the directors of STSS Concepts (HK) Limited. Please refer to the paragraph headed "Our Controlling Shareholders — Excluded business" in this section for further details of STSS Concepts (HK) Limited.

During 1 February 2015 to 31 October 2018, our then office premises was leased from IP Asset Management Pte. Ltd., a then private limited company incorporated in Singapore and was jointly owned by Mr. Tay and Mr. Wong. Mr. Tay and Mr. Wong were also the directors of IP Asset Management Pte. Ltd.. The monthly rental was S\$6,318 and was leased on normal commercial terms to our Group. We have relocated to our office premises acquired by our Group since 31 October 2018.

Please refer to Note 31 of the Accountant's Report set out in Appendix I to this prospectus for the details of the related party transactions.

Controlling Shareholders' Confirmation

In preparation for the Listing, on 11 September 2018, Mr. Wong and Mr. Tay executed the Controlling Shareholders' Confirmation, pursuant to which Mr. Wong and Mr. Tay confirmed that they are a group of Controlling Shareholders and have voted unanimously in respect of the management, development and operations of each member of our Group in the past and will continue to act as such upon Listing until the Controlling Shareholders' Confirmation is terminated in writing.

Excluded Business

During the Track Record Period, our Controlling Shareholders had been holding interests directly in the below entities which were engaged in the similar business as our Group prior to the cessation of their businesses.

STSS Concepts (HK) Limited

STSS Concepts (HK) Limited was a private company incorporated in Hong Kong on 17 January 2014 and owned as to 50% and 50% by Mr. Tay and Mr. Wong, respectively. Mr. Tay and Mr. Wong were the directors of STSS Concepts (HK) Limited. STSS Concepts (HK) Limited engaged in the principal business of providing food and beverage and operated two self-operated outlets under our

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Shihlin Taiwan Street Snacks[®] brand in Hong Kong and had been loss-making since its commencement of operation and therefore it was decided to cease its operations in June 2016. Since then, STSS Concepts (HK) Limited had not carried out any business, and it has been deregistered since 15 February 2019. Our Directors confirmed that STSS Concepts (HK) Limited had (i) complied with all applicable rules, laws and regulations in Hong Kong in all material respects during the Track Record Period and up to its cessation of business; and (ii) all liabilities, claims, either litigations or proceedings, which were mainly related to labour matters and lease with immaterial claim amount were fully settled or withdrawn prior to its deregistration. For FY2017, FY2018 and FY2019, we sold certain food and beverage to STSS Concepts (HK) Limited which amounted to approximately S\$5,000, nil and nil, respectively, representing a minimal percentage of our Group's total revenue for the respective year. Our Directors considered the sales to STSS Concepts (HK) Limited during the Track Record Period were carried out in the ordinary course of business of our Group, based on normal commercial terms, fair and reasonable.

STSS Global IP

STSS Global IP is a partnership jointly owned by Mr. Tay and Mr. Wong since August 2010 whose principal business is the provision of general business and management consultancy services. STSS Global IP held some of our IP Rights used by our Group which were subsequently transferred to STSS IP on 19 March 2018 as part of the Reorganisation. Following the transfer of our IP Rights, STSS Global IP did not carry on any business and our Group had no transaction with STSS Global IP thereafter up to the Latest Practicable Date. The partners had passed a resolution for deregistration as at the Latest Practicable Date. Our Directors confirmed that STSS Global IP (i) complied with all applicable rules, laws and regulations in all material respects during the Track Record Period and up to its cessation of business; and (ii) was not subject to any litigation, claims, disputes or proceedings prior to its cessation of business.

Spin Catch Sdn. Bhd. (formerly known as Shihlin Taiwan Street Snacks (M) Sdn. Bhd.)

Spin Catch Sdn. Bhd. was incorporated as a private company limited by shares in Malaysia on 7 June 2005 and was owned by Mr. Tay and Mr. Wong in equal shares, who were also the directors. It was principally engaged in the operations and management of food and beverage retail outlets and was a Franchisee in West Malaysia until 1 September 2012. Since then, it had ceased operations during the financial year ended 31 March 2014, had been in dormant status, and it has been dissolved since 8 February 2019. Our Directors confirmed that Spin Catch Sdn. Bhd. had (i) complied with all applicable rules, laws and regulations in Malaysia in all material respects during the Track Record Period and up to its cessation of business; and (ii) was not subject to any litigation, claims, disputes or proceedings prior to its cessation of business.

The aforesaid entities are not included into our Group because (i) all of them ceased business operations as at the Latest Practicable Date; (ii) we have no intention to re-open Self-operated Outlet or Restaurant in Hong Kong; (iii) we intend to expand our international footprint using the franchising/licensing arrangement as we believe the franchising/licensing arrangements are more appropriate for overseas expansion taking into account, amongst others, the differences between the local markets and the Singapore and West Malaysia markets in which we operate in terms of demographics, local preferences, pricing strategies and connections with local market participants such as shopping malls, local suppliers and logistics providers; and (iv) we are in the process of deregistering or have deregistered all the excluded entities.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, none of our Directors, our Controlling Shareholders or their respective close associates had any interest in any business which is, either directly or indirectly, in competition with our business and would require disclosure under Rule 8.10 of the Listing Rules.

Management independence

Our Board has five Directors comprising two executive Directors and three independent non-executive Directors. The day-to-day management and operation of the business of our Group will be the responsibility of all our executive Directors and senior management of our Company. Our Board and 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 our Shareholders as a whole after the Listing without reference to our Controlling Shareholders.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit of and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum. In addition, our Company has an independent senior management team to carry out the business decisions of our Group independently.

In view of the foregoing, our Directors are satisfied that we are capable of managing our Group's business independently from our Controlling Shareholders.

Operational independence

Our Directors consider that our operations do not depend on our Controlling Shareholders taking into account (i) there was no competing business between our Group and any of our Controlling Shareholders or any of their respective close associates; (ii) we had our own independent operation capabilities and independent access to customers and suppliers, save for the freight services, the related party transactions that were entered into during the Track Record Period and would be continued after Listing; (iii) our Group had engaged other freight services providers; and (iv) we did not have any common, nor shared, facilities or resources with our Controlling Shareholders and their respective close associates during the Track Record Period and up to the Latest Practicable Date.

In view of the foregoing, we believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial independence

In addition to the legal charge on the Properties owned by us, Mr. Tay and Mr. Wong had provided their personal guarantees (the “**Personal Guarantees**”) as security under the mortgage loan agreement for the mortgage loan (the “**Mortgage Loan**”) of the Properties, particulars of which are set out in the section headed “Business — Properties” of this prospectus and the property valuation report set out in Appendix III to this prospectus. The mortgage loan agreement (the “**Mortgage Loan Agreement**”) was entered into in February 2018 for an aggregate Mortgage Loan amount of S\$2,600,000 with Bank A in Singapore. As at the Latest Practicable Date, our Group was unable to obtain the written consent from Bank A to release the Personal Guarantees upon Listing, as Bank A requires to assess our Company’s profile after the Listing before agreeing to the release. Hence, the Personal Guarantees may continue after Listing if Bank A continues to refuse releasing the Personal Guarantees then or the Mortgage Loan is not replaced by a term loan described below, until May 2043, being the tenure of the Mortgage Loan.

As at the Latest Practicable Date, our Group has obtained an offer letter (the “**Offer Letter**”) for a term loan of S\$2,600,000 from Bank B which requires joint and several personal guarantees from Mr. Tay and Mr. Wong and corporate guarantee from our Company, and the bank offered that the personal guarantees from Mr. Tay and Mr. Wong could be released upon the Listing. Nonetheless, since there is a penalty period for early repayment in the Mortgage Loan Agreement until May 2020, our Directors are of the view that any early repayment of the Mortgage Loan Agreement before the expiration of the penalty period is not beneficial to our Group. If the Personal Guarantees are not released after Listing, Mr. Tay and Mr. Wong will continue to provide financial assistance to our Group after Listing, which constitutes a connected transaction under Chapter 14A of the Listing Rules. Please refer to the section headed “Connected Transactions” of this prospectus for further details. Our Directors intend to apply to Bank A to release the Personal Guarantees immediately after Listing. If Bank A then refuses to release the Personal Guarantee, our Group will repay the Mortgage Loan after the expiry of the penalty period, that is May 2020 with the new term loan from Bank B, which does not require any personal guarantee from our Controlling Shareholders after Listing.

Despite the Personal Guarantees provided by Mr. Wong and Mr. Tay, taking into account of (i) the availability of our Group’s bank balance and cash of approximately S\$5.8 million as at 31 July 2019; (ii) the availability of the facility pursuant to the Offer Letter which can be used to repay the Mortgage Loan after the penalty period expires if the release of the Personal Guarantees could not be obtained after Listing; and (iii) there will be no amount due to or from our Directors upon Listing, our Directors consider that our Group will have sufficient financial resources even if the Personal Guarantees provided by Mr. Tay and Mr. Wong and the Mortgage Loan Agreement were to terminate.

In addition, we have our own accounting and finance department and independent financial system and make financial decisions according to our own business needs. We also have our own treasury function and independent access to third party financing. 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.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

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

- (a) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless a majority of our independent non-executive Directors expressly requested him/her to attend;
- (b) our Company has appointed Lego Corporate Finance Limited as our compliance adviser to advise on compliance matters in accordance with the Listing Rules;
- (c) the independent non-executive Directors may appoint an independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the connected transaction(s) at the cost of our Company;
- (d) in the event that there is any potential conflict of interests relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles or the Listing Rules, be required to declare his/her interests and, where required, abstain from participating in the relevant Board meeting or general meeting and voting on the transaction and not count as quorum where required; and
- (e) in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors either through our annual report or by way of announcements.

CONNECTED TRANSACTIONS

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Set out below is a summary of the continuing connected transactions of our Company, which are fully exempt from the relevant reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Freight Services

Background

Since FY2017, our Group had engaged Pacific Asia Projects Pte. Ltd. (“**Pacific Asia Projects**”) to provide certain freight services to our Group for importing food and beverages related products into Singapore (the “**Freight Services**”). It is expected that our Group will continue to engage Pacific Asia Projects to provide the Freight Services after the Listing.

Pacific Asia Projects is a private limited company incorporated in Singapore jointly-owned by Mr. Chong Kian Hin and Ms. Tham Mei Chan, the father-in-law and mother-in-law of Mr. Wong, one of our executive Directors and Controlling Shareholders, respectively. Ms. Tham Mei Chan is also an employee of our Group. Accordingly, Mr. Chong Kian Hin and Ms. Tham Mei Chan are deemed connected persons under Rule 14A.21(1)(a) of the Listing Rules, and Pacific Asia Projects is a deemed connected person of our Company under Rule 14A.21(1)(b) of the Listing Rules upon Listing. The transactions contemplated under the Freight Services Agreement (as defined hereunder) will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules upon Listing.

Freight Services Agreement

On 23 September 2019, STSS Integrated, our Company and Pacific Asia Projects entered into a framework agreement (the “**Freight Services Agreement**”) pursuant to which Pacific Asia Projects will provide the Freight Services to our Group for a term of three years commencing from the Listing Date. The price charged by Pacific Asia Projects is according to the number of container required per shipment and the pick up and delivery location and delivery timeline, and shall be determined based on normal commercial terms and at a price determined at arm's length negotiation based on prevailing market prices and no less favourable to our Group than offered to Independent Third Parties for similar services.

Historical transaction amounts

The below table sets forth the approximate aggregate amounts of Freight Service fees paid/payable to Pacific Asia Projects during the Track Record Period:

	Historical transaction amount		
	Year ended 31 March		
	2017	2018	2019
	S\$	S\$	S\$
Total amount of Freight Service fees paid/payable	5,533	51,455	29,273

CONNECTED TRANSACTIONS

The below table sets forth the annual caps for the maximum amount of service fees payable under the Freight Services Agreement:

	Annual Cap		
	Year ending 31 March		
	2020	2021	2022
	S\$	S\$	S\$
Total amount of Freight Service fees payable	50,000	50,000	50,000

The transaction amount of the Freight Services for FY2017 was smaller than FY2018 because the business relationship only commenced in FY2017. Given the transactions amount of the Freight Services varied depending on the frequency and quantity of the delivery, the number of containers required for shipment, pick up and delivery locations and the timeline, the decrease in transactions amount of the Freight Services from FY2018 to FY2019 was mainly due to the less number of shipment resulting in less Freight Services used.

The proposed annual caps for the transactions contemplated under the Freight Services Agreement are mainly determined after taking into account the historical Freight Services fees paid by our Group during past twelve months up to August 2019. Given such proposed annual caps have not been taken into account the potential increase in volume of the Freight Services to be brought by the increase in the number of Self-operated Outlets and Restaurants for the three years ending 31 March 2022 as a result of our expansion, our Directors considered the proposed annual caps for the Freight Services fees payables are fair and reasonable and not excessive.

Implication under the Listing Rules

As the proposed annual caps under the Freight Services Agreement for each of the three years during the Freight Services Agreement will be less than HK\$3.0 million per annum and each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 5%, by virtue of Rule 14A.76(1)(c) of the Listing Rules, the transactions contemplated under the Freight Services Agreement will constitute de minimis continuing connected transactions upon Listing and are fully exempted from announcement, reporting, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Confirmation by our Directors

Our Directors (including independent non-executive Directors) are of the view that (i) the Freight Services Agreement has been entered into in the ordinary and usual course of business of our Group; and (ii) the terms of the Freight Services Agreement (including the proposed annual caps) are on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

2. Personal guarantees on bank loan

Mortgage Loan

Our Group purchased the Properties in April 2018 by obtaining the Mortgage Loan with an international bank, Bank A in Singapore for an aggregate loan amount of S\$2.6 million. Mr. Tay and Mr. Wong provided their all monies Personal Guarantees as one of the security under the Mortgage Loan. Despite our effort in requesting Bank A to release the Personal Guarantees and replace by our Company's corporate guarantee upon Listing, the bank was unable to provide the written consent to the release up to the Latest Practicable Date as it was its practice not to provide such written consent until Bank A has completed its due diligence on our Company after Listing. If the Personal Guarantees are not released after Listing, they will constitute continuing connected transaction of financial assistance received by our Group under Chapter 14A of the Listing Rules upon Listing.

Implication under the Listing Rules

STSS Integrated entered into the Mortgage Loan Agreement dated 22 February 2018 for the Mortgage Loan with Bank A for a tenure of 25 years. As at the Latest Practicable Date, save for the Personal Guarantees and the legal charge on the Properties, there was no other security provided for securing the Mortgage Loan. As the Personal Guarantees were provided by our connected persons for the benefit of our Group on normal commercial terms and was not secured by the assets of our Group, by virtue of Rule 14A.90 of the Listing Rules, the financial assistance contemplated under the Personal Guarantees will be considered as fully exempt continuing connected transaction and is fully exempted from announcement, report, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Confirmation by our Directors

Our Directors (including independent non-executive Directors) are of the view that the Personal Guarantees were conducted on normal commercial terms; and our Group will not have undue reliance on our Controlling Shareholders upon Listing despite the Personal Guarantees. Please refer to the section headed "Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Financial independence" of this prospectus for further details.

SHARE CAPITAL

SHARE CAPITAL

Authorised share capital:

10,000,000,000 Shares HK\$100,000,000

Assuming the Over-allotment Option is not exercised (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer will be as follows:

Shares in issue or to be issued, fully paid or credited as fully paid:

<u>Number of Shares</u>	<u>Description of Shares</u>	<u>Aggregate nominal value of Shares (HK\$)</u>
100	Shares in issue as at the date of this prospectus	1
599,999,900	Shares to be issued under the Capitalisation Issue	5,999,999
20,000,000	Shares to be issued under the Public Offer	200,000
<u>180,000,000</u>	<u>Shares to be issued under the Placing</u>	<u>1,800,000</u>
<u>800,000,000</u>	<u>Total</u>	<u>8,000,000</u>

Assuming the Over-allotment Option is exercised in full (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer will be as follows:

Shares in issue or to be issued, fully paid or credited as fully paid:

<u>Number of Shares</u>	<u>Description of Shares</u>	<u>Aggregate nominal value of Shares (HK\$)</u>
100	Shares in issue as at the date of this prospectus	1
599,999,900	Shares to be issued under the Capitalisation Issue	5,999,999
20,000,000	Shares to be issued under the Public Offer	200,000
180,000,000	Shares to be issued under the Placing	1,800,000
30,000,000	Shares to be issued upon exercise of the Over-allotment Option in full	300,000
<u>830,000,000</u>	<u>Total</u>	<u>8,300,000</u>

SHARE CAPITAL

Pursuant to Rule 8.08 of the Listing Rules, at the time of Listing and at all times thereafter, at least 25% of our Company's total number of issued shares must at all times be held by the public (as defined in the Listing Rules).

Assumptions

The above tables assume that the Share Offer has become unconditional and the issue of Shares pursuant to the Capitalisation Issue and the Share Offer is made. The tables take no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company under the general mandates referred to below.

Ranking

The Offer Shares will rank *pari passu* in all respects with all other Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank equally for all dividends and other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus (save for entitlements to the Capitalisation Issue).

GENERAL MANDATE GIVEN TO OUR DIRECTORS TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate (the “**Share Issue Mandate**”) to allot, issue and deal with unissued Shares not exceeding:

- (a) 20% of the number of Shares in issue immediately following completion of the Capitalisation Issue and Share Offer; and
- (b) the total number of Shares purchased by our Company pursuant to the Share Buy-back Mandate referred to in the paragraph headed “General mandate given to our Directors to buy back Shares” below.

Our Directors may, in addition to Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to, inter alia, a rights issue, or upon the exercise of any options which may be granted under the Share Option Scheme or other option scheme or similar arrangement for the time being adopted, or any scrip dividend shares or similar arrangements providing for allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles.

The Share Issue Mandate will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the end of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

SHARE CAPITAL

For further details of the Share Issue Mandate, please refer to the paragraph headed “A. Further information about our Group — 4. Resolutions in writing of the sole Shareholder passed on 23 September 2019” in Appendix V to this prospectus.

GENERAL MANDATE GIVEN TO OUR DIRECTORS TO BUY BACK SHARES

Our Directors have been granted a general unconditional mandate (the “**Share Buy-back Mandate**”) to exercise all the powers of our Company to purchase such number of Shares not exceeding 10% of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer.

The Share Buy-back Mandate only relates to purchases made on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and which are made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further information about our Group — 6. Repurchase of Shares” in Appendix V to this prospectus.

The Share Buy-back Mandate will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the end of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws and regulations of the Cayman Islands to be held; or
- (iii) the revocation, variation or renewal of the Share Buy-back Mandate by ordinary resolution of our Shareholders in general meeting.

For further details of the Share Buy-back Mandate, please refer to the paragraph headed “Further information about our Group — 4. Resolutions in writing of the sole Shareholder passed on 23 September 2019” in Appendix V to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Principal terms of the Share Option Scheme are summarised in the paragraph headed “Share Option Scheme — 13. Share Option Scheme” in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in “Summary of the constitution of our Company and Cayman Islands Company Law” set out in Appendix IV to this prospectus.

SHARE CAPITAL

RULE 10.08 OF THE LISTING RULES

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) will be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except under any of the circumstances provided under Rule 10.08 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), the following persons/entities will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group:

<u>Name of Shareholder</u>	<u>Capacity/Nature of interest</u>	<u>Immediately following completion of the Capitalisation Issue and the Share Offer</u>	
		<u>Number of Share(s)⁽¹⁾</u>	<u>Percentage of shareholding in our Company</u>
Brilliant Stride	Beneficial owner ⁽²⁾	600,000,000 (L)	75%
Mr. Wong	Interest in controlled corporation ⁽²⁾	600,000,000 (L)	75%
Ms. Chong Yi May Cheryl (“Mrs. Wong”)	Interest of spouse ⁽³⁾	600,000,000 (L)	75%
Mr. Tay	Interest in controlled corporation ⁽²⁾	600,000,000 (L)	75%
Ms. Lim Michelle (“Mrs. Tay”)	Interest of spouse ⁽⁴⁾	600,000,000 (L)	75%

Notes:

- (1) The letter “L” denotes the person’s long position in the relevant shares.
- (2) All the issued shares of Brilliant Stride are legally and beneficially owned as to 50% by Mr. Wong and 50% by Mr. Tay. Accordingly, Mr. Wong and Mr. Tay are deemed to be interested in 600,000,000 Shares held by Brilliant Stride by virtue of the SFO.
- (3) Mrs. Wong, the spouse of Mr. Wong, is deemed under the SFO to be interested in the Shares which Mr. Wong is interested.
- (4) Mrs. Tay, the spouse of Mr. Tay, is deemed under the SFO to be interested in the Shares which Mr. Tay is interested.

If the Over-allotment Option is fully exercised, the beneficial interests of Brilliant Stride, will be approximately 72.3%.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, 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.

FINANCIAL INFORMATION

You should read this section in conjunction with the audited combined financial statements of our Group and the notes thereto as of and for the years ended 31 March 2017, 2018 and 2019, included in the Accountant's Report set out in Appendix I to this prospectus. The historical financial information included in the Accountant's Report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which may differ in material respects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. Our Group's business and financial performance are subject to substantial risks and uncertainties and its future results could differ materially from those set forth in the forward-looking statements herein due to a variety of factors including those set forth in the section headed "Risk Factors" of this prospectus.

OVERVIEW

We are a food and beverage group operating under our **Shihlin Taiwan Street Snacks**[®] with 228 Self-operated Outlets and Restaurants and Non-self-operated Outlets and Restaurants in Singapore, Malaysia, Indonesia and United States as at the Latest Practicable Date.

During the Track Record Period, we generated revenue from (i) sales via Self-operated Outlets and Restaurants; (ii) sales of goods comprising mainly beverages, food products and packaging material to our Franchisees and/or Licensee; (iii) franchise/licence upfront fees comprising one-off upfront franchise/licence payments; (iv) royalty income comprising monthly royalties paid by Franchisees/Licensee; and (v) advertising and promotion fees paid by Franchisees.

For FY2017, FY2018 and FY2019, our revenue amounted to approximately S\$15.7 million, S\$18.6 million and S\$21.3 million, respectively. Our net profit was approximately S\$3.1 million, S\$3.1 million and S\$2.3 million for FY2017, FY2018 and FY2019, respectively. Excluding the Listing expenses, our adjusted net profit attributable to our Shareholders amounted to approximately S\$4.0 million and S\$4.9 million for FY2018 and FY2019, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 2 February 2018. In preparation of the Listing, our Group underwent the Reorganisation, as detailed in the section headed "History, Reorganisation and Corporate Structure" of this prospectus. As a result of Reorganisation, our Company has become the holding company of the companies now comprising our Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period have been prepared to present the results and cash flows of the companies now comprising our Group, as if the structure of our Group upon the completion of the Reorganisation had been in existence throughout the Track Record Period, or since their respective date of incorporation where there is a shorter period. The combined statements of financial position of our Group as at 31 March 2017, 31 March 2018 and 31 March 2019 have been prepared to present the assets and liabilities of the companies now comprising

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our Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation where applicable. The combined financial statements, which are presented in Singapore dollars, have been prepared in accordance with IFRSs. Details regarding the basis of presentation and preparation of our combined financial information for the Track Record Period are set out in notes 1.3 and 2.1 to the Accountant’s Report.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following factors are the principal factors that have affected, and which we expect will continue to affect our businesses, financial condition, results of operations and prospects. The following should be read in conjunction with the section headed “Risk Factors” of this prospectus.

Macro-economic conditions of Singapore, Malaysia and Indonesia

Our operations are largely based in Singapore and Malaysia and we also generated revenue from licensing in Indonesia. For FY2017, FY2018 and FY2019, our revenue derived from Singapore, Malaysia and Indonesia accounted for approximately 98.5%, 97.6% and 98.2% of our total revenue, respectively.

Our Directors anticipate that our revenue will continue to be primarily derived from these markets in the near future. Given our products offering were mainly snacks, we and our Franchisees/Licensee have been consistently targeting at casual diners, customers at shopping malls and residents or workers near the Shihlin Outlets and Restaurants. In the event of an economic downturn, customers tend to become more price-conscious and adversely affect their willingness to spend on food. There is no assurance that there will not be any unfavourable economic, political and social conditions in Singapore, Malaysia and Indonesia which may adversely affect the spending power of our target customers, and hence, our results of operations and financial condition.

Fluctuation of prices of components of our cost of sales

For FY2017, FY2018 and FY2019, cost of sales amounted to approximately S\$7.1 million, S\$7.6 million and S\$8.7 million, respectively, representing approximately 45.0%, 41.0% and 40.8% of our total revenue for the respective years. Any fluctuations in the cost of sales would affect our profitability.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the cost of sales on our profit before taxation during the Track Record Period, assuming all other variables remain constant:

Hypothetical fluctuations of cost of sales

	+/-5%	+/-10%
	<i>S\$’000</i>	<i>S\$’000</i>
<i>Decrease/increase in profit before income tax</i>		
FY2017	354	708
FY2018	381	762
FY2019	435	870

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Fluctuations in rental and related expenses

We lease all the properties for our Self-operated Outlets and Restaurants. Accordingly, rental and related expenses for our Self-operated Outlets and Restaurants account for a significant portion of our operating expenses. For FY2017, FY2018 and FY2019, rentals and related expenses for our Self-operated Outlets and Restaurants premises amounted to approximately S\$1.0 million, S\$1.2 million and S\$1.4 million, respectively, representing approximately 6.2%, 6.5% and 6.4% of our total revenue for the respective years. Any fluctuations in the rental and related expenses for our Self-operated Outlets and Restaurants would affect our profitability.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the rental and related expenses for our Self-operated Outlets and Restaurants on our profit before taxation during the Track Record Period, assuming all other variables remain constant:

Hypothetical fluctuations of rental and related expenses

	+/-5%	+/-10%
	<i>S\$'000</i>	<i>S\$'000</i>
<i>Decrease/increase in profit before income tax</i>		
FY2017	49	97
FY2018	60	120
FY2019	68	137

Fluctuations in employee benefit costs

For FY2017, FY2018 and FY2019, employee benefit costs amounted to approximately S\$2.2 million, S\$2.7 million and S\$2.8 million, respectively, representing approximately 14.1%, 14.4% and 13.2% of our total revenue for the respective years. Any fluctuations in the employee benefit costs would affect our profitability.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the employee benefit costs on our profit before taxation during the Track Record Period, assuming all other variables remain constant:

Hypothetical fluctuations of employee benefit costs

	+/-5%	+/-10%
	<i>S\$'000</i>	<i>S\$'000</i>
<i>Decrease/increase in profit before income tax</i>		
FY2017	111	221
FY2018	134	268
FY2019	141	281

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Fluctuation of foreign exchange rates

We conduct all our operations in Singapore and West Malaysia and our functional currency are S\$ and MYR. The sales to our Franchisees and Licensee abroad are mainly billed and settled in S\$ and MYR. We source our packaging and raw materials globally, and a majority of which are settle in S\$, MYR, US\$ and NTD. Foreign exchange rate fluctuations in the currencies mentioned above may result in foreign exchange losses and hence may have a material adverse effect on our business financial condition and results of operations.

Considering the foreign exchange rates are difficult to predict, we would closely monitor the foreign exchange rates and our relevant exposure. In addition, we would take measures to minimise the impact from the foreign exchange risk, including review of our Group's foreign exchange exposure on a regular basis and adjust the selling price of the relevant products when necessary. We did not have any hedging policy for our foreign exchange exposure.

CRITICAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting policies, judgments and estimates are those that require management to exercise judgments, estimates and assumptions that may yield materially different financial results if the management were to apply different conditions and/or assumptions or make different estimates. Actual results may differ from these estimates. During the Track Record Period, our Directors confirm that there were no significant changes in the assumptions and estimates, and continuous assessment will be made to these assumptions and estimates going forward. For details of the significant accounting policies and estimates and judgements, please refer to notes 2 and 4 to the Accountant's Report. The following paragraphs summarise significant accounting policies and estimates and judgements applied in preparing our Group's financial information.

Critical Accounting Policies

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts; and when specific criteria have been met for each of our Group's activities, as described below.

(a) Sales of goods — Food and beverages

Revenue from sale of goods through its corporate-owned outlet is recognised at the point that the control of the products have been transferred, being when the food and beverages have been served. The sales are made in cash terms upon orders are made at the sales counter.

Revenue from sale of goods to franchisees is recognised at the point that the control of the products have been transferred to the customer, being when the products has been acknowledged by the customers' representative at the warehouses. Payment of the transaction price is due immediately when the customer receives the goods from the warehouses.

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(b) Franchise/licence upfront fee

Franchise/licence fees are collected upfront upon entering into the franchising/licensing arrangement. Franchise/licence fees revenue is recognised on a straight-line basis over the respective franchise/licence terms.

A contract liability is recognised when our Group has obligation to transfer goods or services to the Franchisees/Licensee for which our Group has received upfront fees from the Franchisees/Licensee, and our Group records these as deferred revenue in the liability section of the combined statements of financial position.

(c) Royalty

Revenue from royalty charged for a franchising arrangement is recognised on an accrual basis at a fixed predetermined percentage of revenue of franchisees' outlets during the respective franchise terms. Payment of the transaction price is due immediately 7 days after each month end.

(d) Advertising and promotion fees

Revenue from advertising and promotion fees collected under a franchising arrangement is recognised when the related advertising and promotion services have been rendered. Any unutilised fees are recorded as advances received for advertising and promotion in the liability section of the combined statements of financial position. Collection of advertising and promotion fees for a franchising arrangement is charged at a fixed predetermined percentage of revenue of franchisee's outlets during the respective franchise terms. Payment of the fees is due immediately seven days after each month end.

A contract liability is recognised when our Group has the obligation to transfer goods or services to the franchisees for which the fees are collected upfront. These upfront fees collected are recorded as deferred revenue in the liability section of the combined statements of financial position.

(e) Interest income

Interest income is recognised by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired.

For further details regarding our accounting policy relating to revenue recognition, please refer to "Revenue recognition" in note 2.14 to the Accountant's Report.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis, and includes all costs in bringing the inventories to their present location and condition.

Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. For further details regarding our accounting policy relating to inventories, please refer to "Inventories" in note 2.7 to the Accountant's Report.

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Leases

As at the Latest Practicable Date, we leased 38 premises for our Shihlin Outlets and Restaurants in Singapore and West Malaysia (including nine leases for the operating arrangement of which eight have already been entered into the Operating Agreements), three premises for our Singapore warehouse and West Malaysia warehouse and one premise as our office premise in West Malaysia. All of our Self-operated Outlets and Restaurants are operated on leased properties, please refer to the section headed “Business — Self-operated Outlets and Restaurants” of this prospectus for details of our lease in respect of our Self-operated Outlets and Restaurants. We also earned operating fee income during the Track Record Period, which was primarily due to the outlets for which we lease directly from the landlords and subsequently appoint the Franchisees as operators of the Non-self-operated Outlets/Restaurants. For further details regarding our accounting policy relating to leasing, please refer to “Leases” in note 2.15 to the Accountant’s Report.

Taxation

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the combined statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. For further details regarding our accounting policy relating to taxation, please refer to “Current and deferred income tax” in note 2.12 to the Accountant’s Report.

SUMMARY OF RESULTS OF OPERATIONS

The following is a summary of our combined statements of profit or loss and other comprehensive income for the Track Record Period, which has been extracted from and should be read in conjunction with the Accountant’s Report set out in Appendix I to this prospectus.

	FY2017	FY2018	FY2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Revenue	15,735	18,581	21,325
Cost of sales	(7,077)	(7,620)	(8,701)
Gross profit	8,658	10,961	12,624
Other income	139	174	258
Other losses	(175)	(33)	(17)
Selling and distribution expenses	(3,087)	(3,942)	(4,294)
Administrative expenses	(2,239)	(3,424)	(5,291)
Finance income/(cost) — net	91	49	(16)
Profit before income tax	3,387	3,785	3,264
Income tax expense	(250)	(656)	(1,000)
Profit for the year	<u>3,137</u>	<u>3,129</u>	<u>2,264</u>

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	FY2017	FY2018	FY2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<i>Non-IFRS information (Note):</i>			
Profit for the year	3,137	3,129	2,264
Add: Listing expenses	—	899	2,641
Adjusted profit for the year	<u>3,137</u>	<u>4,028</u>	<u>4,905</u>

Note: Adjusted profit for the year is derived by excluding the Listing expenses. The term of adjusted profit is not defined under the IFRSs. The adjusted profit for the year was presented because our Directors believe that it is an useful supplement to the combined statements of profit or loss and other comprehensive income as it reflects our profitability from our operations without taking into consideration of the non-recurring Listing expenses. However, the adjusted profit for the year should not be considered in isolation or construed as an alternative to gross profit or profit for the year prepared in accordance with IFRSs, or as an alternative to cash flows as a measurement of liquidity and shall be used for illustrative purpose only. Potential investors should be aware that the adjusted profit for the year presented in this prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation. For details, please refer to paragraph headed “Non-IFRS measures” in this section.

PRINCIPAL COMPONENTS OF COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue was derived from (i) sales of goods (a) to Franchisees and Licensee and (b) through our Self-operated Outlets and Restaurants to end consumers; (ii) upfront fees comprising one-off upfront payments from Franchisees and Licensee; (iii) advertising and promotion fees income from Franchisees in Singapore and West Malaysia; and (iv) royalty income from Franchisees and Licensee. Our overall revenue amounted to approximately S\$15.7 million, S\$18.6 million and S\$21.3 million for FY2017, FY2018 and FY2019, respectively, out of which approximately 86.7%, 87.5% and 88.6% were generated from the sales of goods.

Set out below is the breakdown by revenue stream during the Track Record Period:

	FY2017		FY2018		FY2019	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Sales of goods	13,647	86.7	16,246	87.5	18,889	88.6
Franchise and licence upfront fees	490	3.1	522	2.8	511	2.4
Advertising and promotion fees	298	1.9	412	2.2	376	1.7
Royalty	1,300	8.3	1,401	7.5	1,549	7.3
Total	<u>15,735</u>	<u>100.0</u>	<u>18,581</u>	<u>100.0</u>	<u>21,325</u>	<u>100.0</u>

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Set out below is the revenue breakdown by business models during the Track Record Period:

	FY2017		FY2018		FY2019	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Self-operated Outlets and Restaurants	6,915	43.9	8,596	46.3	10,506	49.3
Franchising and licensing	8,820	56.1	9,985	53.7	10,819	50.7
	<u>15,735</u>	<u>100.0</u>	<u>18,581</u>	<u>100.0</u>	<u>21,325</u>	<u>100.0</u>

Sales of goods

Our revenue generated from sales of goods amounted to approximately S\$13.6 million, S\$16.2 million and S\$18.9 million for FY2017, FY2018 and FY2019, respectively, representing approximately 86.7%, 87.5% and 88.6% of our total revenue for the respective years.

The sales of goods can be divided into the following categories, namely (i) sales of Snacks and Beverages at our Self-operated Outlets and Restaurants directly to end consumers (the “**Outlet Sales**”); and (ii) sales of goods comprising mainly beverages, food products and packaging materials to Franchisees and Licensee (“**Sales to Franchisees and Licensee**”). For further description of these categories, please refer to the section headed “Business — Business and revenue model” of this prospectus.

The following table sets forth the breakdown of our revenue derived from sales of goods by Outlet Sales and Sales to Franchisees and Licensee for the years indicated:

	FY2017		FY2018		FY2019	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Sales to Franchisees and Licensee	6,732	49.3	7,650	47.1	8,383	44.4
Outlet Sales	6,915	50.7	8,596	52.9	10,506	55.6
Total	<u>13,647</u>	<u>100.0</u>	<u>16,246</u>	<u>100.0</u>	<u>18,889</u>	<u>100.0</u>

In order to ensure consistency in the quality of our Snacks and Beverages served across our Non-self-operated Outlets and Restaurants with our Self-operated Outlets and Restaurants, we typically require our Franchisees and Licensee to purchase most of the beverages, food products and/or packaging materials from our Group and our approved suppliers.

For FY2017, FY2018 and FY2019, our revenue derived from Sales to Franchisees and Licensee amounted to approximately S\$6.7 million, S\$7.7 million and S\$8.4 million, respectively, representing approximately 49.3%, 47.1% and 44.4% of revenue from sales of goods for the respective years, whilst our revenue derived from Outlet Sales amounted to approximately S\$6.9 million, S\$8.6 million and S\$10.5 million, respectively, representing approximately 50.7%, 52.9% and 55.6% of revenue from the sales of goods for the respective years.

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Franchise/licence upfront fees

Our revenue generated from franchise and licence upfront fees amounted to approximately S\$0.5 million, S\$0.5 million and S\$0.5 million for FY2017, FY2018 and FY2019, respectively, representing approximately 3.1%, 2.8% and 2.4% of our total revenue for the respective years.

There are two types of franchise and licence arrangements, namely Units Franchise and Master Franchise/Master Licence. Franchise upfront fees from Units Franchise arrangement comprises one-off upfront franchise payment, which is amortised over the term of the franchise agreement. Franchise and licence upfront fees from Master Franchise and Master Licence arrangements comprise one-off upfront franchise/licence fees upon entering into of the master franchise/licence agreements, which are amortised over the term of the franchise or licence agreements, and franchise/licence fee for each Non-self-operated Outlet/Restaurant opened pursuant to the master franchise/licence agreement which are recognised as revenue immediately in full. If the franchise/licence arrangements are terminated prior to the end of the term, the unrecognised portion of the upfront franchisee/licensee fees received are recognised as revenue immediately in full. For further description of these arrangements, please refer to the section headed “Business — Non-self-operated Outlets and Restaurants” of this prospectus.

The following table sets forth the average selling price of our Snacks Products and Beverages Products by geographical locations of our Self-operated Outlets/Restaurants:

	FY2017	FY2018	FY2019
Singapore:			
Snacks Products (S\$)	4.2	4.2	4.3
Beverages Products (S\$) (<i>Note 4</i>)	1.4	2.1	2.0
West Malaysia:			
Snacks Products (MYR)	7.9	8.6	9.1
Beverages Products (MYR) (<i>Note 5</i>)	3.2	2.9	3.2

Notes:

- (1) Average selling price of our products sold from our Outlet Sales were calculated by dividing the total Outlet Sales in respective countries by the sales volume of respective products sold during the year.
- (2) The data are not comparable to the average selling price of products we sold to our Franchisees/Licensee because the unit of volume of products sold from our Outlet Sales (e.g. by orders/pieces/cups) and the unit of volume of products sold to Franchisees/Licensee (e.g. by lots/cartons/packs) are different.
- (3) Fluctuations of average selling price of our products sold from our Outlet Sales during the Track Record Period were mainly due to (i) products mix of our sales; and (ii) increase in selling prices of our products.
- (4) The higher average selling price of our Beverage Products in Singapore in FY2018 was due to the launch of Winter Melon Tea, Smoked Plum Juice and Honey Lemon cooler during the year which the selling prices are higher than those of other Beverage Products.

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- (5) The lower average selling price of our Beverage Products in West Malaysia in FY2018 was due to the discontinuation of the sale of soy milk during FY2018 and the increase of such in FY2019 was due to (i) the launch of Winter Melon Tea, Smoked Plum Juice and Honey Lemon cooler during FY2018 which the selling price is higher than those of other Beverage Products; and (ii) the increase in selling price of bottled water and Winter Melon Tea in FY2019.

The following table sets forth the average selling price of products we sold to our Franchisees/Licensee by geographical locations:

	FY2017	FY2018	FY2019
Singapore (S\$)	8.7	8.4	11.6
Malaysia (MYR)	63.6	61.6	68.7
Indonesia (S\$)	67.2	75.3	81.8
United States (S\$)	93.5	84.0	126.1
Others (S\$)	33.8	N/A	N/A

Notes:

- (1) Average selling price is calculated by dividing the total sales to Franchisees or Licensee in respective countries by the total sales volume for the year.
- (2) The data are not comparable to the average selling price of products we sold from our Outlet Sales because the unit of volume of products sold from our Outlet Sales (e.g. by orders/pieces/cups) and the unit of volume of products sold to Franchisees/Licensee (e.g. by lots/cartons/packs) are different.
- (3) Fluctuations of average selling price of our products sold to our Franchisees/Licensee during the Track Record Period were mainly due to (i) products mix of our sales; and (ii) increase in selling price of our products.

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The following table sets forth the number of transactions, total revenue, average revenue and average transaction amount of the Non-self-operated Outlets and Restaurants by geographical region during the Track Record Period based on the information provided by our Franchisees/Licensee:

	Number of transactions			Total revenue (Note 1)			Average revenue (Note 2)			Average transaction amount (Note 3)						
	Singapore '000	Malaysia '000	Indonesia '000	United States '000	Singapore S\$'000	Malaysia MYR'000	Indonesia S\$'000	United States S\$'000	Singapore S\$'000	Malaysia MYR	Indonesia S\$'	United States S\$'				
FY2017	344	3,197	4,751	21	1,870	36,337	19,080	237	33	60	20	59	5.4	11.4	4.0	11.3
FY2018	241	3,289	4,924	115	1,494	39,069	21,168	1,251	37	62	19	69	6.2	11.9	4.3	10.9
FY2019	251	3,492	5,866	167	1,621	41,722	23,944	1,801	34	63	20	58	6.5	12.0	4.1	10.8

Notes:

- (1) Total revenue represents the total sales of the Non-self-operated Outlets and Restaurants.
- (2) Average revenue is calculated by dividing the sum of average monthly revenue per Non-self-operated Outlet/Restaurant by 12.
- (3) Average transaction amount is calculated by dividing the total revenue by the total number of transactions.

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The following table sets forth the quantity of products we sold to our Franchisees/Licensee by geographical locations:

	FY2017 <i>(Unit'000)</i> <i>(Note)</i>	FY2018 <i>(Unit'000)</i> <i>(Note)</i>	FY2019 <i>(Unit'000)</i> <i>(Note)</i>
Singapore	35	30	21
Malaysia	207	255	246
Indonesia	27	26	27
United States	1	4	2
Others	60	N/A	N/A

Note: The units of products (e.g. by lots/cartons/packs) we sold to our Franchisees/Licensee varied, which depended on the products nature and thus the data are for illustrative purpose only and may not be comparable among geographical locations or between years.

Advertising and promotion fees

Our revenue generated from advertising and promotion fees amounted to approximately S\$0.3 million, S\$0.4 million and S\$0.4 million for FY2017, FY2018 and FY2019, respectively, representing approximately 1.9%, 2.2% and 1.7% of our total revenue for the respective years.

We require our Franchisees in Singapore and West Malaysia to contribute 2% of their monthly sales to our Singapore Pooled Marketing Fund and our West Malaysia Pooled Marketing Fund, respectively, which form our advertising and promotion fees. Given our Company has sole discretion on determining the contents and forms of the advertising campaign and the use of the Pooled Marketing Funds, respective advertising and promotion revenue will be recognised when our Group utilised the Pooled Marketing Funds and incurred the respective expenses. For further description of this arrangement, please refer to the section headed “Business — Advertising and marketing — Pooled Marketing Funds” of this prospectus.

Royalty

Our royalty income amounted to approximately S\$1.3 million, S\$1.4 million and S\$1.5 million for FY2017, FY2018 and FY2019, respectively, representing approximately 8.3%, 7.5% and 7.3% of our total revenue for the respective years.

Royalty is calculated with reference to the monthly gross sales made by the Franchisees and Licensee in accordance with the respective terms under the Franchise Agreement and the Indonesia Master Licence Agreement.

Revenue by geographical locations

Our Group’s Self-operated Outlets and Restaurants operations are located in Singapore and West Malaysia. During the Track Record Period, we mainly generated revenue from our Franchisees and Licensee which were located in Singapore, Malaysia, the United States and Indonesia.

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The following table sets forth the breakdown of our revenue by geographical locations where our customers are located for the years indicated:

	FY2017		FY2018		FY2019	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Singapore						
Sales to Franchisees	308	2.0	240	1.3	249	1.2
Sales from Self-operated Outlets	5,454	34.7	6,377	34.3	6,912	32.4
Franchise Fees	165	1.0	128	0.7	84	0.4
Advertising and promotion fees	<u>70</u>	<u>0.4</u>	<u>67</u>	<u>0.4</u>	<u>193</u>	<u>0.9</u>
Sub-total	5,997	38.1	6,812	36.7	7,438	34.9
Malaysia						
Sales to Franchisees	4,321	27.6	5,121	27.6	5,520	25.9
Sales from Self-operated Restaurants	1,461	9.2	2,219	12.0	3,594	16.9
Franchise Fees	594	3.8	626	3.3	732	3.4
Advertising and promotion fees	<u>228</u>	<u>1.5</u>	<u>345</u>	<u>1.8</u>	<u>183</u>	<u>0.8</u>
Sub-total	6,604	42.1	8,311	44.7	10,029	47.0
Indonesia						
Sales to Licensee	1,972	12.5	1,962	10.5	2,353	11.0
Licence Fees	<u>924</u>	<u>5.9</u>	<u>1,052</u>	<u>5.7</u>	<u>1,128</u>	<u>5.3</u>
Sub-total	2,896	18.4	3,014	16.2	3,481	16.3
United States						
Sales to Franchisees	126	0.8	328	1.8	261	1.2
Franchise Fees	<u>69</u>	<u>0.4</u>	<u>94</u>	<u>0.5</u>	<u>102</u>	<u>0.5</u>
Sub-total	195	1.2	422	2.3	363	1.7
Others (Note)						
Sales to Franchisees	5	—	—	—	—	—
Franchise Fees	<u>38</u>	<u>0.2</u>	<u>22</u>	<u>0.1</u>	<u>14</u>	<u>0.1</u>
Sub-total	<u>43</u>	<u>0.2</u>	<u>22</u>	<u>0.1</u>	<u>14</u>	<u>0.1</u>
Total	<u>15,735</u>	<u>100.0</u>	<u>18,581</u>	<u>100.0</u>	<u>21,325</u>	<u>100.0</u>

Note: Others mainly consist of (i) sales to STSS Concepts (HK) Limited for FY2017, which ceased operations in June 2016; and (ii) franchise upfront fees from a Franchisee in Brunei for FY2017, FY2018 and FY2019 which the franchise agreement was entered into in July 2016 and no Outlets/Restaurants have been opened up to the Latest Practicable Date.

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For FY2017, FY2018 and FY2019, approximately 42.1%, 44.7% and 47.0% of our total revenue was generated from the customers located in Malaysia, respectively and approximately 38.1%, 36.7% and 34.9% of our total revenue was generated from customers located in Singapore, respectively. For the same years, our revenue generated from the customer located in Indonesia accounted for approximately 18.4%, 16.2% and 16.3% of our total revenue, respectively.

The increase in revenue in Singapore during the Track Record Period was mainly due to the increase in sales of Self-operated Outlets, which was primarily due to (i) the takeover of three Non-self-operated Outlets in June 2016, May 2017 and July 2017, respectively from Franchisees to operate as Self-operated Outlets; and (ii) new openings of two Self-operated Outlets and Restaurants.

The increase in sales of Self-operated Outlets and Restaurants in West Malaysia during the Track Record Period was primarily due to an increase in number of Self-operated Restaurants in West Malaysia from five in FY2017 to 11 in FY2018 and further increased to 13 in FY2019. The increase in sales to Franchisees in Malaysia during the Track Record Period was primarily due to the increase in number of Non-self-operated Outlets and Restaurants from 54 as at 31 March 2017 to 58 as at 31 March 2018 and further increased to 63 as at 31 March 2019.

The increase in our revenue derived from Indonesia from approximately S\$2.9 million for FY2017 to approximately S\$3.0 million for FY2018 and further increased to approximately S\$3.5 million for FY2019 was mainly due to the opening of 10, 14 and 12 new Non-self-operated Outlets and Restaurants in Indonesia for FY2017, FY2018 and FY2019, respectively.

Cost of sales

Our cost of sales represents the costs directly associated with the food and beverages sales, including (i) costs of procurement for food and beverages; and (ii) costs of packaging materials.

The following table sets forth the breakdown of our cost of sales by types for the years indicated:

	FY2017		FY2018		FY2019	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Cost of food and beverages	6,613	93.4	7,104	93.2	8,202	94.3
Cost of packaging materials	464	6.6	516	6.8	499	5.7
Total	7,077	100.0	7,620	100.0	8,701	100.0

Cost of food and beverages

Cost of food and beverages represents the amounts paid or payable to suppliers for the costs of procurement of food ingredients for our Snacks and Beverages. Our cost of food and beverages amounted to approximately S\$6.6 million, S\$7.1 million and S\$8.2 million for FY2017, FY2018 and FY2019, respectively, representing approximately 93.4%, 93.2% and 94.3% of our total cost of sales for the respective years.

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Cost of packaging materials

Cost of packaging materials represents the amounts paid or payable to suppliers for the costs of procurement of packaging materials for our Snacks and Beverages. Our cost of packaging materials amounted to approximately S\$0.5 million, S\$0.5 million and S\$0.5 million for FY2017, FY2018 and FY2019, respectively, representing approximately 6.6%, 6.8% and 5.7% of our total cost of sales for the respective years.

Gross profit and gross profit margin

The following table sets forth our Group's gross profit by business models for the years indicated:

	FY2017	FY2018	FY2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Self-operated Outlets and Restaurants	4,661	5,708	7,046
Franchising and licensing	3,997	5,253	5,578
Gross profit	8,658	10,961	12,624

The following table sets forth our Group's gross profit margin by business models for the years indicated:

	FY2017	FY2018	FY2019
	%	%	%
Self-operated Outlets and Restaurants	67.4	66.4	67.1
Franchising and licensing	45.3	52.6	51.6
Overall	55.0	59.0	59.2

The gross profit margin of our Self-operated Outlets and Restaurants is generally higher than that of our franchising and licensing business mainly because we typically have more flexibility and room for markup for our Self-operated Outlets and Restaurants as compared to Sales to Franchisees and Licensee. Given we do not incur operating costs of the Non-self-operated Outlets and Restaurants, the pricing of sales to Franchisees and Licensee has been reasonably determined to allow Franchisees and Licensee to generate reasonable gross profit to cover their operating costs and operate their businesses on a profitable basis. For Self-operated Outlets and Restaurants, we transact directly with end consumers and incur operating costs, thus we priced our products to generate higher gross profit margin for our Self-operated Outlets and Restaurants to cover such operating costs.

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The following table sets forth our Group's gross profit margin by geographical locations where our customers are located for the years indicated:

	FY2017	FY2018	FY2019
	%	%	%
Singapore	65.3	71.0	74.5
Malaysia	42.0	47.1	45.7
Indonesia	61.4	62.5	63.9
United States	75.2	72.7	72.0
Others (<i>Note</i>)	94.1	100.0	100.0
Overall	55.0	59.0	59.2

Note: Others mainly consist of (i) gross margin of sales to STSS Concepts (HK) Limited for FY2017, which ceased operations in June 2016; and (ii) gross margin of franchise upfront fees from a Franchisee in Brunei for FY2017, FY2018 and FY2019 which the franchise agreement was entered into in July 2016 and no Outlets/Restaurants have been opened up to the Latest Practicable Date.

Our overall gross profit was approximately S\$8.7 million, S\$11.0 million and S\$12.6 million for FY2017, FY2018 and FY2019, respectively, with our overall gross profit margin of approximately 55.0%, 59.0% and 59.2% for FY2017, FY2018 and FY2019, respectively.

The gross margin of Singapore businesses increased from approximately 65.3% for FY2017 to 71.0% for FY2018 and further increased to 74.5% for FY2019 mainly due to (i) the closure of Self-operated Outlet C in August 2016, which recorded negative operating margin for FY2017; and (ii) newly opened Self-operated Outlets in FY2017 and FY2018 took full year effect in FY2018 and FY2019, respectively, and all of which were profit making in FY2018 and FY2019.

The gross margin of Malaysia businesses increased during the Track Record Period from approximately 42.0% for FY2017 to 47.1% for FY2018, which was in line with the increase in sales from Self-operated Restaurants in Malaysia during the Track Record Period, given that Self-operated Restaurants and Outlets operation generally can capture higher gross margin as compared to franchising business. The decrease in gross margin of Malaysia businesses from approximately 47.1% for FY2018 to 45.7% for FY2019 was primarily due to lower advertising and promotion fee income as a percentage of total revenue generated in Malaysia for FY2019 as compared to that for FY2018.

The increase in gross margin of Indonesia businesses increased from approximately 61.4% for FY2017 to 62.5% for FY2018 was mainly because of higher portion of Licence Fees as a percentage of total revenue generated in Indonesia for FY2018 as compared to FY2017, which can generally capture higher gross margin. The gross margin of Indonesia business further increased to approximately 63.9% for FY2019 primarily due to the increase in selling price of the products sold to the Master Licensee, and mitigated by the smaller portion of Licence Fees as a percentage of total revenue generated in Indonesia for FY2019 as compared to FY2018.

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Other income

Our other income mainly included operating fee income and government grants. Operating fee income represented the income from Franchisees for the operating arrangements, details of which are set out in the section headed “Business — Non-self-operated Outlets and Restaurants — Operating arrangements with some of our Franchisees in Singapore and West Malaysia” of this prospectus. Government grants primarily represent government subsidies in the form of cash payout for incentives under the Capability Development Grant and Innovation & Capability Voucher schemes from SPRING Singapore. SPRING Singapore (now known as Enterprise Singapore) was a statutory board which helped to nurture a pro-business environment and facilitate the growth of enterprises.

The following table sets forth the breakdown of other income for the years indicated:

	FY2017	FY2018	FY2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Operating fee income	110	103	123
Government grants	—	25	10
Others	29	46	125
Total	139	174	258

Other losses

Our other losses primarily consist of foreign exchange losses due to the translational differences of the MYR denominated cash balances.

During the Track Record Period, our other losses amounted to approximately S\$0.2 million, S\$33,000 and S\$17,000 for FY2017, FY2018 and FY2019, respectively.

Selling and distribution expenses

Our selling and distribution expenses primarily included (i) employee benefit costs for Self-operated Outlets and Restaurants; (ii) rental and related expenses for Self-operated Outlets and Restaurants; (iii) advertising and promotion expenses such as printing of promotional materials and licensing fees for intellectual property rights for our marketing campaign; and (iv) logistics and transportation expenses.

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

	FY2017	FY2018	FY2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Employee benefit costs	1,459	1,852	2,063
Rental and related expenses	971	1,204	1,369
Advertising and promotion expenses	331	431	404
Logistics and transportation expenses	326	455	458
Total	3,087	3,942	4,294

For FY2017, FY2018 and FY2019, our selling and distribution expenses were approximately S\$3.1 million, S\$3.9 million and S\$4.3 million, respectively, representing approximately 19.6%, 21.2% and 20.1% of our revenue for the respective years.

Administrative expenses

Our administrative expenses primarily included (i) employee benefit costs, including wages, salaries, allowances and retirement benefit costs for our employees; (ii) Directors' remuneration; (iii) rental and related expenses; (iv) professional fees including the service fees paid for book keeping and accounting services; and (v) Listing expenses.

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

	FY2017	FY2018	FY2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Employee benefit costs	754	824	748
Directors' remuneration	347	321	404
Rental and related expenses	194	283	294
Professional fees	179	269	243
Utilities expenses	128	174	238
Listing expenses	—	899	2,641
Others (<i>Note</i>)	637	654	723
Total	2,239	3,424	5,291

Note: Others mainly consist of sundry expenses, bad debt expenses in relation to trade receivable due from STSS Concepts (HK) Limited, travelling expense, withholding tax expense and other miscellaneous expenses.

For FY2017, FY2018 and FY2019, our administrative expenses were approximately S\$2.2 million, S\$3.4 million and S\$5.3 million, respectively, representing approximately 14.2%, 18.4% and 24.8% of our total revenue for the respective years.

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Finance income/(cost) — net

Our finance income consists of interest income which is earned from placement of funds in current accounts with financial institutions.

For FY2017, FY2018 and FY2019, our finance income amounted to approximately S\$0.1 million, S\$49,000 and S\$24,000, respectively.

Our finance cost of approximately S\$40,000 in FY2019 represented interest expense on our borrowings which was drawn in April 2018.

Income tax expense

Since our business operations are based in Singapore and Malaysia, our Group is subject to corporate income tax calculated at the applicable tax rates in such jurisdictions.

The following table sets forth the breakdown of our income tax expenses for the years indicated:

	FY2017	FY2018	FY2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Current income tax	246	650	998
Deferred income tax	4	6	2
Total	250	656	1,000

For FY2017, FY2018 and FY2019, our income tax expense was approximately S\$0.3 million, S\$0.7 million and S\$1.0 million, respectively.

During the Track Record Period, the corporate income tax rate applicable to (i) our companies incorporated in Singapore was 17%; and (ii) our companies incorporated in Malaysia ranged from 19% to 24%.

For FY2017, FY2018 and FY2019, our effective tax rates (without taking into account the Listing expenses), calculated as the income tax expense divided by the profit before income tax expense, were approximately 7.4%, 14.0%, and 16.9%, respectively. The difference between our effective tax rates and the applicable corporate income tax rates in the relevant jurisdictions was primarily due to (i) the utilisation of previously unrecognised deductible temporary differences and tax losses; (ii) the enjoyment of certain tax exemption, reliefs and rebates; and (iii) the non-deductibility of certain expenses such as non-recurring Listing expenses. The increase in effective tax rate from FY2017 to FY2018 was due to the reduced tax losses utilised and the recognition of Listing expenses which are not deductible. In FY2019, the available tax losses were fully utilised and high Listing expenses were recognised which further increased the effective tax rate.

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Income tax paid as set out in the combined statements of cash flows of our Group during each of the financial years in the Track Record Period relate to payments of taxes made to the relevant tax authority in respect of each of the years presented. The tax paid of approximately S\$153,000 for FY2017 referred to partial payment of S\$137,000 made in respect of the current income tax liabilities of S\$416,000 as at 31 March 2016. The remaining balance had been settled through the payment of income tax amounted to approximately S\$279,000 for the year ended 31 March 2018 because of the oversight of the prescribed deadline of payment of the then tax agent of our Group.

As a result of the late payment, penalty amount of approximately S\$57,000 was charged to our Group and such penalty was settled subsequently. The tax penalties of S\$57,000 paid by our Group relates to the late payment of taxes in Malaysia with regards to filings prior to FY2016 which was rectified by FY2018. The penalty of approximately S\$57,000 was agreed with the Inland Revenue Board of Malaysia (“**IRB**”) and had been fully settled in FY2018. Our Group did not receive any tax notices from the IRB on any other late filing during the Track Record Period and up to the Latest Practicable Date. In addition, our Directors confirmed that none of our Company or its subsidiaries have any outstanding queries or open tax items based on review of the tax correspondences between our Group and the respective tax authorities in Singapore and Malaysia.

As confirmed by the Malaysia Tax Agent, based on the tax correspondences between our Group and the IRB, (i) our Group’s Malaysia subsidiaries have submitted all the relevant tax documents and made the relevant tax payments within the prescribed timeframe to the IRB for FY2017 and FY2018; (ii) all the tax liabilities for FY2017 and FY2018 have been fully settled by our Group’s Malaysia subsidiaries to IRB; (iii) there is no outstanding tax payables or penalties due and owing by our Group’s Malaysia subsidiaries to IRB; and (iv) the Malaysia Tax Agent is not aware of any tax disputes between our Group’s Malaysia subsidiaries and IRB in respect of the tax return for FY2017 and FY2018. Tax filing for FY2019 is due for submission by 30 November 2019 and thus there were no outstanding tax payables, penalties due or tax disputes in relation to FY2019 as at the Latest Practice Date.

As confirmed by the Singapore Tax Adviser, based on the tax correspondences between our Group and the Inland Revenue Authority of Singapore (“**IRAS**”), our Group’s Singapore subsidiaries have (i) fulfilled their corporate tax filing obligations relating to FY2017, FY2018 and FY2019 on a timely basis; (ii) do not have outstanding tax liabilities, other than the scheduled tax instalment plans which were made available by the IRAS; (iii) do not have late charges or penalties relating to late filing or late payment of the companies’ tax liabilities for the Track Record Period; and (iv) there are no disputes on the tax computations submitted for the Track Record Period.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no tax obligations arising from other jurisdictions and did not have any unresolved tax issue or dispute with the relevant tax authorities.

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As at 31 March 2017, 2018 and 2019, our Group had unutilised tax losses of approximately S\$0.5 million, S\$0.3 million and nil, respectively, which was arisen from certain individual entities that were loss-making for which the tax losses could not be utilised to offset the income tax expenses in the other profit-making entities within our Group. The table below sets forth the amount of the unutilised tax losses as at respective year-end dates:

	As at 31 March		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
STSS Resources	359	349	—
STSS Concepts	184	—	—
Shihlin (HF)	1	—	—
Total	544	349	—

The unutilised tax loss of STSS Resources was mainly due to the loss making operation of the Self-operated Outlet C and distribution expenses incurred. The unutilised tax loss of STSS Concepts was mainly due to the royalty expense charged by STSS Company. The unutilised tax loss of Shihlin (HF) was mainly due to the administrative expenses incurred after the closure of Self-operated Outlet A.

These tax losses are allowed to be carried forward for offsetting against future taxable income earned by these respective entities in accordance with the local tax laws in their respective jurisdiction. The decline in the amount of available tax losses was due to the increased profitability of these entities since the year ended 31 March 2016. As such, the tax losses were utilised for offsetting against the taxable income of each of the respective entities and were fully utilised as at 31 March 2019.

COMPARISON OF RESULTS OF OUR OPERATIONS

FY2017 compared to FY2018

Revenue

Our overall revenue increased by approximately S\$2.9 million or 18.1%, from approximately S\$15.7 million for FY2017 to approximately S\$18.6 million for FY2018. Such increase was primarily attributable to (i) the increase in revenue from the sales of goods by approximately S\$2.6 million; (ii) the increase in revenue from advertising and promotion fees of approximately S\$0.1 million; and (iii) the increase in royalty income by approximately S\$0.1 million, details of which are explained below:

Sales of goods

Our revenue generated from our sales of goods increased by approximately S\$2.6 million or 19.0%, from approximately S\$13.6 million for FY2017 to approximately S\$16.2 million for FY2018. Such increase was primarily attributable to the increase in revenue generated from Outlet Sales and Sales to Franchisees and Licensee of approximately S\$1.7 million and S\$0.9 million, respectively.

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- *Outlet Sales* — Such revenue increased by approximately S\$1.7 million, or 24.3%, from approximately S\$6.9 million for FY2017 to approximately S\$8.6 million for FY2018. Such increase was mainly due to (i) the opening of new Self-operated Outlets and Restaurants from 15 as at 31 March 2017 to 23 as at 31 March 2018; and (ii) the increase in selling prices of products sold.
- *Sales to Franchisees and Licensee* — Such revenue increased by approximately S\$0.9 million, or 13.6%, from approximately S\$6.7 million for FY2017 to approximately S\$7.7 million for FY2018. Such increase was mainly due to opening of new Non-self-operated Outlets and Restaurants, which increased from 143 as at 31 March 2017 to 159 as at 31 March 2018. The increase was mainly due to (i) the increase in number of Non-self-operated Outlets and Restaurants primarily in (a) Indonesia, which increased from 84 as at 31 March 2017 to 95 as at 31 March 2018; and (b) Malaysia, which increased from 54 as at 31 March 2017 to 58 as at 31 March 2018; and (ii) the increase in selling prices of products sold.

Franchise/licence upfront fees

Our revenue generated from the receipts of franchise/licence upfront fees increased by approximately S\$32,000 or 6.5%, from approximately S\$490,000 for FY2017 to approximately S\$522,000 for FY2018. Such increase was primarily attributable to (i) the increase in licence upfront fees from Master Licence due to increase in number of Non-self-operated Outlets and Restaurants in Indonesia; and (ii) full year contribution of the franchise upfront fees income recognised pursuant to the Northern California Master Franchise and the Franchise Agreement with the Franchisee in Brunei, as the commencement dates were August 2016 and July 2016, respectively.

Advertising and promotion fees

Our revenue generated from advertising and promotion fees increased by approximately S\$114,000 or 38.3%, from approximately S\$298,000 for FY2017 to approximately S\$412,000 for FY2018. Such increase was primarily attributable to the increase in utilisation of the Pooled Marketing Funds due to increase in advertising and promotion expenses.

Royalty

Our revenue generated from the receipts of royalty remained relatively stable and amounted to approximately S\$1.3 million for FY2017 and approximately S\$1.4 million for FY2018.

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Cost of sales

Our overall cost of sales increased by approximately S\$0.5 million or 7.7% from approximately S\$7.1 million for FY2017 to approximately S\$7.6 million for FY2018. Such increase was in line with the increase in our revenue during the year, details of which are explained below:

- *Cost of food and beverages* — Cost of food and beverages increased slightly by approximately S\$0.5 million or 7.4%, from approximately S\$6.6 million for FY2017 to approximately S\$7.1 million for FY2018. Such increase was in line with the increase in our revenue from sales of goods.
- *Cost of packaging* — Cost of packaging materials increased by approximately S\$52,000 or 11.2% from approximately S\$464,000 for FY2017 to approximately S\$516,000 for FY2018. Such increase was in line with the increase in our revenue from sales of goods.

Gross profit and gross profit margin

As a result of the foregoing, our overall gross profit has increased by approximately S\$2.3 million or 26.6%, from approximately S\$8.7 million for FY2017 to approximately S\$11.0 million for FY2018, with our overall gross profit margin increasing from 55.0% in FY2017 to 59.0% in FY2018. The increase in our overall gross profit margin was mainly due to (i) higher proportion of sales from Self-operated Outlets and Restaurants which we typically have more flexibility and rooms for mark up as compared to Sales to Franchisees and Licensee; and (ii) the increase in selling prices of products sold to our customers.

Other income

Our other income increased by approximately S\$35,000 or 25.2%, from approximately S\$139,000 for FY2017 to approximately S\$174,000 for FY2018. Such increase was primarily due to the increase in government grants of approximately S\$25,000 received during FY2018 in relation to Innovation & Capability Voucher for new machines purchased during the year, such as the POS System.

Other losses

Our other losses were foreign exchange losses which decreased by approximately S\$142,000 or 81.1%, from approximately S\$175,000 for FY2017 to approximately S\$33,000 for FY2018. The foreign exchange losses was due to unfavourable exchange rate of SGD against MYR as a substantial amount of our cash and bank balances was denominated in MYR, which accounted for approximately 53.3% and 54.7% of our total cash and bank balances as at year-end for FY2017 and FY2018, respectively.

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Selling and distribution expenses

Our selling and distribution expenses increased by approximately S\$0.9 million or 27.7%, from approximately S\$3.1 million for FY2017 to approximately S\$3.9 million for FY2018. Such increase was primarily due to (i) the increase in employee benefit costs by approximately S\$0.4 million or 26.9%, which is in line with opening of new Self-operated Outlets and Restaurants in FY2018 and resulted in increase in number of staff; (ii) the increase in rental and related expenses by approximately S\$0.2 million or 24.0%, which is in line with the opening of new Self-operated Outlets and Restaurants in FY2018; (iii) the increase in advertising and promotion expenses by approximately S\$0.1 million or 30.2% mainly due to increase in licensing fees for intellectual property rights for our marketing campaign for local advertising and promotion activities to raise public awareness of our Group's brand; and (iv) the increase in logistics and transportation expenses by approximately S\$0.1 million or 39.6%, which is in line with the overall increase in revenue of our Group.

Administrative expenses

Our administrative expenses increased by approximately S\$1.2 million or 52.9%, from approximately S\$2.2 million for FY2017 to approximately S\$3.4 million for FY2018. Such increase was primarily due to (i) the increase in rental and related expenses of approximately S\$89,000 as a result of the increase in rental expense for our warehouse with the increase in inventories storage due to the increase in our overall sales; (ii) the increase in professional fees mainly due to increase in book keeping and accounting service fees paid to external accountants as a result of the expansion of our operation scale; and (iii) the Listing expenses of approximately S\$0.9 million for the preparation of the Listing which was incurred in FY2018.

Finance income

Our finance income decreased by approximately S\$42,000 or 46.2%, from approximately S\$91,000 for FY2017 to approximately S\$49,000 for FY2018. Such decrease was primarily due to the decrease in interest income on the bank balances as a result of lower average bank balances.

Income tax expense

Our income tax expense increased by approximately S\$0.4 million or 162.4%, from approximately S\$0.3 million for FY2017 to approximately S\$0.7 million for FY2018, which was in line with the increase in profits before income tax expense. Our effective tax rate (without taking into account the Listing expenses) increased from approximately 7.4% for FY2017 to approximately 14.0% for FY2018 due to higher utilisation of unrecognised deductible temporary differences and tax losses in FY2017.

Profit for the year

As a result of the foregoing, our profit for the year remained relatively stable at S\$3.1 million for both years, with net profit margin decreasing from approximately 19.9% for FY2017 to approximately 16.8% for FY2018. Excluding the Listing expenses incurred for FY2018, we recorded an increase in profit for the year of approximately S\$0.9 million from approximately S\$3.1 million for FY2017 to approximately S\$4.0 million for FY2018, representing an increase of approximately 28.7%.

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FY2018 compared to FY2019

Revenue

Our overall revenue increased by approximately S\$2.7 million or 14.8%, from approximately S\$18.6 million for FY2018 to approximately S\$21.3 million for FY2019, which outperformed our management's expectation mainly due to (i) higher outlet sales in Singapore and West Malaysia; and (ii) higher sales to Franchisees and Licensee. We achieved higher-than-expected outlet sales mainly because of our Group's recent marketing and promotional activities, including launching new promotional Snacks Products and enhancing product offerings such as mala popcorn chicken, crispy mushroom with different flavors (e.g, grilled seaweed, roasted cuttlefish and sweet and sour). Moreover, our Group commenced its partnership with an online food ordering platform ("**Online Platform A**"), in or around June 2018, to market and promote its products. Pursuant to the partnership agreement made between our Group and Online Platform A, Online Platform A is required to make available to our Group a mobile application in order to enable and facilitate the end users' purchase of our Snacks and Beverages from our Group, as well as our Group's access to on-demand delivery and logistics services by independent third party service providers for delivering food orders, in return for our Group paying the service fee to Online Platform A. Upon receipt of food orders, our staff at our Self-Operated Outlets in Singapore will prepare the orders for pick-up at their respective Outlets. Since the commencement of the partnership and up to 31 July 2019, we recorded total revenue of approximately S\$1.2 million pursuant to the partnership agreement. Also, our Group's inhouse designer and marketing team worked on different marketing initiatives, including sending E-newsletters to subscribers and press releases to media on product launch and regular updates on own social media page, to further enhance our Group's brand awareness from time to time. We achieved higher-than-expected sales to Franchisees and Licensee mainly because of the increase in average selling price of products sold.

Such increase of revenue from FY2018 to FY2019 was primarily attributable to the increase in revenue from the sales of goods by approximately S\$2.6 million, details of which are explained below:

Sales of goods

Our revenue generated from the sales of goods increased by approximately S\$2.6 million or 16.3%, from approximately S\$16.3 million for FY2018 to approximately S\$18.9 million for FY2019. Such increase was primarily attributable to (i) the increase in revenue generated from Outlet Sales of approximately S\$1.9 million; and (ii) the increase in revenue from Sales to Franchisees and Licensee of approximately S\$0.7 million.

- *Outlet Sales* — Such revenue increased by approximately S\$1.9 million, or 22.2%, from approximately S\$8.6 million for FY2018 to approximately S\$10.5 million for FY2019. Such increase was mainly due to (i) the opening of new Self-operated Outlets and Restaurants; and (ii) the increase in selling prices of products sold. Our Outlet Sales in Singapore increased by approximately 8.4% and in West Malaysia increased by approximately 62.0% from FY2018 to FY2019, respectively. The growth in Outlet Sales in Singapore was mainly because of three Self-operated Outlets were opened during FY2018 and therefore the sales of FY2019 reflected the full-year sales of such Outlets; while the aggregate gross average daily revenue of our same stores in Singapore for FY2018 and FY2019 remained stable. The significant increase in Outlet Sales in West Malaysia was mainly because out of the 13 Self-operated Restaurants in operation

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during FY2019, six of them were opened during FY2018 and therefore the sales of FY2019 reflected the full-year sales of such Restaurants; and two of them were opened during FY2019. Further, the aggregate gross average daily revenue of our existing same stores opened prior to the Track Record Period in West Malaysia for FY2018 and FY2019 increased by approximately 12.7%, which was mainly attributable to the higher average daily revenue of most of the relevant Self-operated Restaurants as a result of increased number of customer visits.

- *Sales to Franchisees and Licensee* — Such revenue increased by approximately S\$0.7 million, or 9.6%, from approximately S\$7.7 million for FY2018 to approximately S\$8.4 million for FY2019. Such increase was mainly due to opening of new Non-self-operated Outlets and Restaurants, which increased from 159 as at 31 March 2018 to 175 as at 31 March 2019. The increase was mainly due to (i) the increase in number of Non-self-operated Outlets and Restaurants primarily in (a) Indonesia, which increased from 95 as at 31 March 2018 to 105 as at 31 March 2019; and (b) Malaysia, which increased from 58 as at 31 March 2018 to 63 as at 31 March 2019; and (ii) the increase in selling prices of products sold to Franchisees and Licensee. For illustrative purpose, the revenue per Non-self-operated Outlet/Restaurant (calculated by dividing the total revenue from sales to Franchisees and Licensee by the number of Non-self-operated Outlets and Restaurants as at the respective year-end) was approximately S\$48,000 for both FY2018 and FY2019. The average selling price of products we sold to our Franchisees and Master Licensee increased by approximately 38.1% in Singapore, 11.5% in Malaysia, 8.6% in Indonesia and 50.1% in the U.S. from FY2018 to FY2019, due to changes in product mix of our sales and increases in the selling prices of our products.

Franchise/licence upfront fees

Our revenue generated from the receipts of franchise/licence upfront fees remained relatively stable and amounted to approximately S\$0.5 million and S\$0.5 million for FY2018 and FY2019 respectively.

Advertising and promotion fees

Our revenue generated from advertising and promotion fees remained relatively stable and amounted to approximately S\$0.4 million and S\$0.4 million for FY2018 and FY2019, respectively.

Royalty

Our revenue generated from the receipts of royalty increased by approximately S\$0.1 million or 10.6%, from approximately S\$1.4 million for FY2018 to approximately S\$1.5 million for FY2019. Such increase was primarily attributable to the increase in the sales of Franchisees in Malaysia and Licensee as a result of the increase in the number of Non-self-operated Outlets and Restaurants in Malaysia and Indonesia.

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Cost of sales

Our overall cost of sales increased by approximately S\$1.1 million or 14.2%, from approximately S\$7.6 million for FY2018 to approximately S\$8.7 million for FY2019, details of which are explained below:

- *Cost of food and beverages* — Cost of food and beverages increased by approximately S\$1.1 million or 15.5%, from approximately S\$7.1 million for FY2018 to approximately S\$8.2 million for FY2019. Such increase was in line with the increase in our revenue from sales of goods.
- *Cost of packaging* — Cost of packaging materials remained relatively stable and amounted to approximately S\$0.5 million and S\$0.5 million for FY2018 and FY2019, respectively.

Gross profit and gross profit margin

As a result of the foregoing, our overall gross profit has increased by approximately S\$1.6 million or 15.2%, from approximately S\$11.0 million for FY2018 to approximately S\$12.6 million for FY2019, with our overall gross profit margin remaining relatively stable at approximately 59.0% and 59.2% for FY2018 and FY2019, respectively.

Other income

Our other income increased by approximately S\$84,000 or 48.3%, from approximately S\$0.2 million for FY2018 to approximately S\$0.3 million for FY2019. Such increase was primarily due to (i) the increase in operating fee income of approximately S\$20,000 received during FY2019, mainly attributable to a new operating agreement entered into in January 2018; and (ii) the rental income of approximately S\$79,000 as a result of purchase of the new office unit which was then leased to two Independent Third Parties whose tenancy expired on 12 October 2018 and 31 January 2019, respectively.

Other losses

The other losses of approximately S\$33,000 and S\$17,000 for FY2018 and FY2019, respectively related to foreign exchange differences. The higher foreign exchange losses for FY2018 was due to less favourable exchange rate of SGD against MYR as a substantial amount of our cash and bank balances was denominated in MYR, which accounted for approximately 54.7% and 34.1% of our total cash and bank balances as at 31 March 2018 and 2019, respectively.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately S\$0.4 million or 8.9%, from approximately S\$3.9 million for FY2018 to approximately S\$4.3 million for FY2019. Such increase was primarily due to (i) the increase in employee benefit costs by approximately S\$0.1 million, which is in line with opening of new Self-operated Outlets and Restaurants during FY2019 and resulted in increase in number of staff; and (ii) the increase in rental and related expenses by approximately S\$0.2 million due to the increase in number of new Self-operated Outlets and Restaurants during FY2019.

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Administrative expenses

Our administrative expenses increased by approximately S\$1.9 million or 54.5%, from approximately S\$3.4 million for FY2018 to approximately S\$5.3 million for FY2019. Such increase was primarily due to the increase in Listing expenses of approximately S\$1.7 million during FY2019.

Finance income/(cost) — net

The finance income of approximately S\$49,000 for FY2018 and S\$24,000 for FY2019 primarily consist of interest income from our bank deposits. The decrease in interest income of approximately S\$25,000 or 51.0% for FY2019 was primarily due to the decrease in interest income on the bank balances as a result of lower average bank balances for FY2019. During FY2019, we incurred finance cost of approximately S\$40,000 as a result of the increase in our borrowings for the purchase of the new office units.

Income tax expense

Our income tax expense increased by approximately S\$0.3 million or 52.4%, from approximately S\$0.7 million for FY2018 to approximately S\$1.0 million for FY2019, which was primarily attributable to (i) higher taxable income for FY2019; (ii) lower tax rebates of approximately S\$95,000 in FY2019; and (iii) the utilisation of previously unrecognised deductible temporary differences and tax losses in FY2018. As a result, our effective tax rate increased from approximately 14.0% for FY2018 to approximately 16.9% for FY2019 (without taking into account the Listing expenses).

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately S\$0.8 million or 27.6%, from approximately S\$3.1 million for FY2018 to approximately S\$2.3 million for FY2019, with net profit margin decreasing from approximately 16.8% for FY2018 to approximately 10.6% for FY2019. Excluding the Listing expenses incurred for FY2018 and FY2019, we recorded an increase in profit for the year of approximately S\$0.9 million from approximately S\$4.0 million for FY2018 to approximately S\$4.9 million for FY2019, representing an increase of approximately 21.8%.

Non-IFRS measures

To supplement our combined financial statements which are presented in accordance with the IFRSs, we also presented our adjusted profit for the year as an additional measure. During the Track Record Period, we recognised our Listing expenses in administrative expenses in the combined statements of profit or loss and other comprehensive income. Such Listing expenses are non-recurring in nature, so we have made adjustment to exclude such expenses for the years presented for illustrative purpose. The adjusted profit for the year is not a measure of performance under IFRSs. We present these financial measures because they are used by our management to evaluate our financial performance by excluding the impact of items that we do not consider indicative to investors and others in understanding and evaluating our combined results of operations in the same manner as our management and in comparing financial results across accounting period. The use of adjusted profit for the year has limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year and should not be considered in an isolated form, or as a substitute for an analysis of our financial

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results, performance or liquidity presented under IFRSs. Potential investors should be aware that the adjusted profit for the year measure presented in this prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculations.

NET CURRENT ASSETS

The following table sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 March			As at
	2017	2018	2019	31 July 2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i> <i>(unaudited)</i>
Current assets				
Inventories	526	924	811	957
Trade and other receivables and prepayments	2,190	1,722	3,900	3,841
Cash and cash equivalents	8,035	4,057	4,263	5,843
	<u>10,751</u>	<u>6,703</u>	<u>8,974</u>	<u>10,641</u>
Current liabilities				
Trade and other payables	5,379	2,440	4,333	4,129
Provisions	74	71	103	103
Deferred revenue	599	451	361	124
Current income tax liabilities	509	278	569	853
Bank borrowings	—	—	83	79
	<u>6,561</u>	<u>3,240</u>	<u>5,449</u>	<u>5,288</u>
Net current assets	<u>4,190</u>	<u>3,463</u>	<u>3,525</u>	<u>5,353</u>

Our net current assets decreased from approximately S\$4.2 million as at 31 March 2017 to approximately S\$3.5 million as at 31 March 2018, which was mainly attributable to the decrease in cash and cash equivalents of approximately S\$4.0 million and trade and other receivables and prepayments of approximately S\$0.5 million, while mitigated by the decrease in trade and other payables of approximately S\$2.9 million.

Our net current assets remained relatively stable at S\$3.5 million as at 31 March 2018 and 2019.

Our net current assets increased from approximately S\$3.5 million as at 31 March 2019 to approximately S\$5.4 million as at 31 July 2019, which was mainly attributable to the increase in cash and cash equivalents of approximately S\$1.6 million, while mitigated by the increase in current income tax liabilities of approximately S\$0.3 million.

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For details regarding the major items affecting our net current assets during the Track Record Period, please refer to the paragraph headed “Description and analysis of principal components in the combined statements of financial position” in this section.

DESCRIPTION AND ANALYSIS OF PRINCIPAL COMPONENTS IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment as at 31 March 2017, 2018 and 2019 consisted of computer, office equipment, furniture and fittings, kitchen equipment and renovation works and as at 31 March 2019, it also consisted of office premises in Singapore situated at 10 Anson Road, #21-02, 02A, 03, 03A, International Plaza, Singapore 079903. The carrying values of our Group’s property, plant and equipment amounted to approximately S\$0.1 million, S\$0.4 million and S\$3.8 million as at 31 March 2017, 2018 and 2019, respectively. The general increasing trend in our carrying values of property, plant and equipment from 31 March 2017 to 31 March 2018 was primarily due to the increase of furniture and fittings, kitchen equipment and leasehold improvements as a result of the opening of new Self-operated Outlets and Restaurants, and the increase from 31 March 2018 to 31 March 2019 was mainly due to the acquisition of the said office premises in April 2018.

Inventories

Our inventories comprised (i) food and beverage including food and beverage ingredients, semi-processed food products and finished products; and (ii) consumable items, which mainly include packaging materials. We closely monitor our inventory level. Physical inventory count will be conducted on monthly basis. Our Group assesses if there are provision implication for inventories based on an assessment of the net realisable value of inventories. Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to realise revenue. Our management performs regular review on the carrying amounts of the inventories with reference to, among others, ageing analysis of inventories, projection of expected future salability or usability of goods and management judgement based on their experience. Our provision assessment on food and beverages are mainly based on the expiry dates of the respective items and our provision assessment on consumable items are mainly based on usability and the physical conditions of the items. Our Directors confirmed that no provisions for our inventories were made during the Track Record Period.

We recorded inventories of approximately S\$0.5 million, S\$0.9 million and S\$0.8 million as at 31 March 2017, 2018 and 2019, respectively. We strive to maintain an optimal inventory level at our warehouses in Singapore and West Malaysia. Our inventory management objective is to ensure that we maintain stock inventory sufficient to supply our business operations at all times without unnecessary excessive inventory levels. As the shelf life of food supplies and raw materials vary ranging from six to 12 months, we have a target inventory policy differentiated by food categories. Generally, we seek to maintain an adequate inventory of approximately two months. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant write-offs of our inventories.

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The following table sets forth the ageing analysis of our inventories as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Within 30 days	288	514	527
31 to 60 days	154	152	185
61 to 90 days	16	69	29
Above 90 days	68	189	70
Total	526	924	811

The following table sets forth our average inventory turnover days for the years indicated:

	FY2017	FY2018	FY2019
Average inventory turnover days (<i>Note</i>)	24.3	34.7	36.4

Note: Average inventory turnover days is calculated as the average of the beginning and ending of inventory balance for the respective year divided by cost of sales for the respective year and multiplied by the number of days in the respective year.

Our average inventory turnover days were approximately 24.3 days, 34.7 days and 36.4 days for FY2017, FY2018 and FY2019, respectively. The higher average inventory turnover days for FY2017, FY2018 and FY2019 was mainly due to higher inventory levels to meet the demands of our increased scale of operations.

As at 31 August 2019, approximately S\$0.8 million, or 99.1%, of our inventories as at 31 March 2019 have been subsequently sold or utilised.

Trade and other receivables and prepayments

Trade receivables

Our trade receivables decreased by approximately S\$1.0 million or 71.2% from approximately S\$1.4 million as at 31 March 2017 to approximately S\$0.4 million as at 31 March 2018 mainly due to the decrease in amount due from Master Licensee, being our largest customer by approximately S\$1.1 million as a result of repayment made by it before year end of FY2018. Our trade receivables increased by approximately S\$0.2 million or 36.1% from approximately S\$0.4 million as at 31 March 2018 to approximately S\$0.6 million as at 31 March 2019 mainly due to the increase in amount due from the Master Licensee from approximately S\$0.3 million as at 31 March 2018 to S\$0.5 million as at 31 March 2019.

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The following table sets forth the ageing analysis of our trade receivables (net of allowance for doubtful debts) based on invoice date for sale of goods and the timing of accrual for royalty income from Franchisees as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Within 30 days	1,375	377	492
31 to 60 days	35	8	46
61 to 90 days	1	5	6
Above 90 days	—	17	10
Total	1,411	407	554

Our Directors confirm that we did not charge any interest on, or hold any collaterals as security over these trade receivables balances. We generally grant a credit period of (i) up to seven days to our Franchisees and Licensee upon issuance of our invoices for sales except for Northern California Master Franchisee, which we grant a credit period of 60 days from the date of departure since October 2018; and (ii) up to first seven days of each following month for Units Franchisee and within 30 calendar days from the end of each month for Master Franchisee and Licensee for royalty. Our management monitors the recoverability of trade receivables and the need and amount of the impairment is based on the credit history of our customers, the financial condition of our customers and the current market condition. We recorded bad debts of approximately S\$77,000, nil and nil for FY2017, FY2018 and FY2019, respectively. The amount for FY2017 was related to the trade receivables balances due from STSS Concepts (HK) Limited which ceased operations in June 2016. Our Group does not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised resemble a large number of receivables from various Franchisees and Licensee.

As at the Latest Practicable Date, approximately S\$0.5 million, or 98.6% of our trade receivables as at 31 March 2019 have been subsequently settled.

The following table sets forth our average trade receivables turnover days for the years indicated:

	FY2017	FY2018	FY2019
Average trade receivables turnover days (<i>Note</i>)	25.9	17.9	8.2

Note: Average trade receivables turnover days is calculated as the average of the beginning and ending of trade receivables balance for the respective year divided by revenue for the respective year and multiplied the number of days in the respective year.

Our average trade receivables turnover days were approximately 25.9 days, 17.9 days and 8.2 days for FY2017, FY2018 and FY2019, respectively. The decrease in our average trade receivables turnover days from approximately 25.9 days in FY2017 to approximately 17.9 days in FY2018 and further to approximately 8.2 days for FY2019 was due to the faster repayment by the Master Licensee.

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Other receivables and prepayments

Our other receivables and prepayments mainly included (i) deposits with external parties; (ii) prepayments; (iii) prepaid Listing expenses; and (iv) other receivables.

The following table sets forth the breakdown of the other receivables and prepayments as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Deposits with external parties	553	747	865
Prepayments — current portion	24	303	1,248
Listing expenses to be net-off with the equity upon the Listing	—	312	1,039
Other receivables	202	92	194
	779	1,454	3,346

Our total other receivables and prepayments were approximately S\$0.8 million, S\$1.5 million and S\$3.3 million as at 31 March 2017, 31 March 2018 and 31 March 2019, respectively. Deposits with external parties mainly include security deposits placed with landlords of leased properties. The increase in such amount of approximately S\$0.2 million from 31 March 2017 to 31 March 2018 and a further increase of S\$0.1 million from 31 March 2018 to 31 March 2019 was in line with the increase in our scale of operations.

The current portion of prepayments as at 31 March 2017 mainly represented advance rental paid, and as at 31 March 2018, mainly consisted of stamp duty paid for the purchase of the Properties. As at 31 March 2019, it consisted mainly of prepayment for Listing expenses.

Listing expenses to be deducted from equity upon the Listing as at 31 March 2018 and 31 March 2019 amounted to S\$0.3 million and S\$1.0 million, respectively.

Trade and other payables

Trade payables

Our trade payables primarily consisted of trade balances due to our vendors in respect of purchases of goods for our businesses.

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The following table sets forth the ageing analysis of the trade payables (based on invoice dates) as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Within 30 days	395	357	458
31 to 60 days	—	—	22
Over 60 days	—	1	—
Total	395	358	480

The general credit terms from our major suppliers are 30 days. Our trade payable decreased by approximately S\$37,000 or 9.4%, from approximately S\$0.4 million as at 31 March 2017 to approximately S\$0.4 million as at 31 March 2018, which was mainly due to our relatively shorter time for payment of purchases. Our trade payables increased by approximately S\$0.1 million or 34.1%, from approximately S\$0.4 million as at 31 March 2018 to S\$0.5 million as at 31 March 2019 mainly due to the increase in scale of business operations which corresponds with the increase in purchases from suppliers of ingredients and materials.

As at the Latest Practicable Date, all our trade payables as at 31 March 2019 have been fully settled.

The following table sets forth our average trade payables turnover days for the years indicated:

	FY2017	FY2018	FY2019
Average trade payables turnover days (<i>Note</i>)	18.4	18.0	17.6

Note: Average trade payables turnover days is calculated as the average of the beginning and ending of trade payables balance for the respective year divided by cost of sales for the respective year and multiplied by the number of days in the respective year.

Our average trade payables turnover days remained relatively stable at approximately 18.4 days, 18.0 days and 17.6 days for FY2017, FY2018 and FY2019, respectively, which fall within the average credit period of 30 days granted by our major suppliers.

Other payables

Our other payables mainly included (i) accruals, primarily consisted accruals of staff salaries, defined contribution plans, foreign worker levies, and as at 31 March 2018 and 31 March 2019, mainly include accrued Listing expenses; (ii) deposits received, mostly consisted of deposits receipts from potential Franchisees/Licensee; (iii) goods and services tax payables, which represented the consumption tax levied on the sales of goods and services in Singapore and West Malaysia; (iv) dividends payables; (v) other payables to third parties and related parties.

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The following table sets forth the breakdown of our other payables as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Accruals	485	874	1,946
Deposits received	172	238	307
Goods and services tax payables	15	35	51
Dividends payable	4,140	671	—
Other payables			
— Third parties	167	259	366
— Related parties	5	5	1,183
	4,984	2,082	3,853

Other payables were approximately S\$5.0 million, S\$2.1 million and S\$3.8 million as at 31 March 2017, 31 March 2018 and 31 March 2019, respectively. The decrease of approximately S\$2.9 million or 58.2% from approximately S\$5.0 million as at 31 March 2017 to approximately S\$2.1 million as at 31 March 2018 was mainly due to the decrease in dividends payable to shareholders of approximately S\$3.5 million as all dividends declared for FY2018 were paid out during the year, but was partially netted off by the increase in accruals of Listing expenses of approximately S\$0.4 million.

The increase in other payables of approximately S\$1.8 million or 85.1% from approximately S\$2.1 million as at 31 March 2018 to approximately S\$3.9 million as at 31 March 2019 was mainly due to (i) the increase in accruals of approximately S\$1.1 million, which was mainly due to Listing expenses incurred for FY2019; and (ii) the increase in other payables to related parties of approximately S\$1.2 million, which was mainly in relation to the amounts due to Mr. Tay for payment of Listing expenses on behalf for our Group, partially offset by the decrease of dividends payable of approximately S\$0.7 million. As at the Latest Practicable Date, the amounts due to related parties as at 31 March 2019 have been fully settled.

Provision

Our provisions during the Track Record Period mainly represented provision for reinstatement costs and unutilised leave. The balance of provision for reinstatement costs represented the provision made in respect of the estimated cost of reinstating our leased premises at the end of respective lease periods as required under the relevant tenancy agreements. The amount of provisions remained relatively stable as at 31 March 2017 and 2018. The higher balance as at 31 March 2019 as compared to 31 March 2018 was mainly attributable to the provision for reinstatement costs for two new Self-operated Restaurants opened in Malaysia during FY2019.

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Deferred revenue

Our deferred revenue during the Track Record Period mainly included franchise/licence upfront fees and advances received for advertising and promotion fees from Franchisees in Singapore and West Malaysia. Franchise/Licence upfront fee is recognised on a straight-line basis over the respective arrangement terms. Franchise/licence upfront fees collected from Franchisees/Licensee but not yet recognised as revenue are recorded as deferred revenue. Revenue from advertising and promotion fees collected from Franchisees in Singapore and West Malaysia is recognised when the related advertising and promotion expenses have been incurred. Any unutilised fees are recorded as advances received as a liability in the combined statements of financial position.

The following table sets forth the movement of the balances of our current and non-current portion of deferred revenue during the Track Record Period:

	FY2017	FY2018	FY2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
As at the beginning of the year	1,580	1,597	1,274
Additions	805	611	834
Charged to profit or loss	(788)	(934)	(887)
As at the end of the year	<u>1,597</u>	<u>1,274</u>	<u>1,221</u>

The amount of our deferred revenue decreased by approximately S\$0.3 million or 20.2% from approximately S\$1.6 million as at 31 March 2017 to approximately S\$1.3 million as at 31 March 2018, and further decreased by approximately S\$0.1 million or 4.2% to approximately S\$1.2 million as at 31 March 2019 which was the result of the recognition of the respective revenue by amortisation.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our principal source of liquidity has been our cash generated from our operations, where we generated net cash inflow for our operating activities for each year during the Track Record Period. Our primary liquidity requirements are to finance our working capital, and fund our capital expenditures and growth of our operations. As at 31 March 2017, 2018 and 2019, our Group had cash and cash equivalents of approximately S\$8.0 million, S\$4.1 million and S\$4.3 million, respectively, which were primarily held in MYR and SGD. Going forward, our Group expects cash generated from operations to continue to be our principal source of liquidity and we may use a portion of the net proceeds from the Share Offer to finance a portion of our liquidity requirements. Please refer to the section headed “Future Plans and Use of Proceeds” of this prospectus for details. Our Directors believe that, in the long term, our Group’s operations will be funded by internal resources and, if necessary, bank borrowings.

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Set out below sets forth the condensed summary of the combined statements of cash flows for the years indicated:

	FY2017	FY2018	FY2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Net cash generated from operating activities	3,254	3,167	2,350
Net cash generated from/(used in) investing activities	40	(460)	(3,419)
Net cash (used in)/generated from financing activities	(1,460)	(7,003)	1,326
Net increase/(decrease) in cash and cash equivalents	1,834	(4,296)	257
Cash and cash equivalents at beginning of the year	6,488	8,035	4,057
Exchange (losses)/gains on cash and cash equivalents	(287)	318	(51)
Cash and cash equivalents at end of the year	8,035	4,057	4,263

Cash flows from operating activities

Net cash generated from operating activities principally consisted of profit before tax adjusted for non-cash items such as depreciation of plant and equipment, interest income and interest expense. Our cash inflows generated from operations are mainly the receipt of payments from our customers and Franchisees and Licensee. Our cash outflows used in operations primarily consists of (i) the purchases of food and beverages ingredients and packaging materials; (ii) employee benefits costs; (iii) rental and related expenses; and (iv) other expenses relating to our operating activities.

For FY2017, our net cash generated from operating activities was approximately S\$3.3 million, which is based on our profit before tax of approximately S\$3.4 million, having mainly adjusted for interest income of approximately S\$91,000. The difference between the operating cash flows before working capital changes and net cash flow generated from operating activities was mainly attributable to the combined effects of (i) the increase in trade and other receivables and prepayments of approximately S\$0.4 million; (ii) the increase in inventories of approximately S\$0.1 million, (iii) the increase in trade and other payables, including provisions, of approximately S\$0.6 million; and (iv) income tax paid of approximately S\$0.2 million.

For FY2018, our net cash generated from operating activities was approximately S\$3.2 million, which is based on our profit before tax of approximately S\$3.8 million, having mainly adjusted for interest income of approximately S\$49,000. The difference between the operating cash flows before working capital changes and net cash flow generated from operating activities was mainly attributable to the combined effects of (i) the decrease in trade and other receivables and prepayments of approximately S\$0.6 million; (ii) the increase in inventories of approximately S\$0.4 million, (iii) the increase in trade and other payables, including provisions, of approximately S\$0.3 million; (iv) the decrease in deferred revenue (current portion) of approximately S\$0.3 million; and (v) income tax paid of approximately S\$0.9 million.

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For FY2019, our net cash generated from operating activities was approximately S\$2.4 million, which is based on our profit before tax of approximately S\$3.3 million, having mainly adjusted for depreciation expense of approximately S\$0.1 million. The difference between the operating cash flows before working capital changes and net cash flow generated from operating activities was mainly attributable to the combined effects of (i) the increase in trade and other receivables and prepayments of approximately S\$2.2 million; (ii) the increase in trade and other payables, including provision of approximately S\$1.7 million; and (iii) income tax paid of approximately S\$0.7 million.

Cash flows generated from/(used in) investing activities

Our cash flows used in investing activities primarily consisted of (i) the purchase of property, plant and equipment; and (ii) interest received.

For FY2017, our net cash generated from investing activities was approximately S\$40,000, primarily due to the interest received of approximately S\$91,000, being partially netted off by the purchase of property, plant and equipment of approximately S\$51,000.

For FY2018, our net cash used in investing activities was approximately S\$0.5 million, primarily due to purchase of property, plant and equipment of approximately S\$0.5 million, being partially netted off by the interest received of approximately S\$49,000.

For FY2019, our net cash used in investing activities was approximately S\$3.4 million primarily due to purchase of the office premises.

Cash flows (used in)/generated from financing activities

Our cash flows used in financing activities primarily consists of dividends paid to shareholders, proceed from borrowings, repayment of borrowings, interest paid, proceeds from amount due to a director, net distribution to owners as a result of reorganisation of certain Operating Subsidiaries and Listing expenses.

In FY2017, our net cash used in financing activities was approximately S\$1.5 million due to dividends paid to shareholders.

In FY2018, our net cash used in financing activities was approximately S\$7.0 million mainly due to (i) dividends paid to shareholders of approximately S\$6.8 million; and (ii) Listing expenses of approximately S\$0.2 million.

For FY2019, our net cash generated from financing activities was approximately S\$1.3 million mainly due to (i) proceed from borrowings of approximately S\$2.6 million; and (ii) proceeds from amount due to a director of approximately S\$1.2 million, mitigated by (a) dividends paid to shareholders of approximately S\$1.1 million; and (b) Listing expenses of approximately S\$1.0 million.

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CONTRACTUAL COMMITMENTS

Capital commitments

As at 31 March 2017, 31 March 2018 and 31 March 2019, we had capital commitments which amounted to nil, approximately S\$3.1 million and nil, respectively. The capital commitment as at 31 March 2018 represented the purchase of the Properties.

Operating lease commitments — where our Group is a lessor

Our Group engaged certain Franchisees as operators, which are Independent Third Parties, under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	As at 31 March		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Not later than one year	53	54	77
Between one and five years	62	47	69
Total	115	101	146

Operating lease commitments — where our Group is a lessee

Our Group leases space from landlords, which are Independent Third Parties, under non-cancellable operating lease agreements.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	As at 31 March		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Not later than one year	1,147	1,258	1,489
Between one and five years	950	1,152	1,270
Total	2,097	2,410	2,759

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CAPITAL EXPENDITURES

Historical capital expenditures

Our capital expenditures in the past mainly related to opening of Outlets and Restaurants. For the years ended 31 March 2017, 2018 and 2019, our capital expenditures in relation to additions of property, plant and equipment amounted to approximately S\$51,000, S\$0.4 million and S\$3.6 million, respectively. We principally funded our capital expenditures through internally generated funds and borrowings during the Track Record Period.

Planned capital expenditures

Save for the planned usage of net proceeds from the Share Offer as disclosed in the section headed “Future Plans and Use of Proceeds” of this prospectus, our Group had no material planned capital expenditures and capital commitment as at Latest Practicable Date.

PROPERTY INTERESTS AND PROPERTY VALUATION

In April 2018, we purchased office premises in Singapore of approximately 1,873 sq.ft. situated at 10 Anson Road, #21-02, 02A, 03, 03A, International Plaza, Singapore 079903. Our Group occupied #21-02/02A/03 for office use and #21-03A has been leased out since April 2018. As at 31 August 2019, the fair value of the Properties amounted to approximately S\$3.5 million.

A reconciliation of the market value of our Group’s property interests as at 31 August 2019 and the book value of our Group’s property interests as at 31 March 2019 as required under Rule 5.07 of the Listing Rules, is set out below solely for illustrative purpose.

Jones Lang LaSalle Property Consultants Pte Ltd, a firm of independent and qualified professional valuers, has valued the property interests of our Group as at 31 August 2019. The text of the letter, summary of valuation and valuation certificates with regard to the property interests are set out in Appendix III to this prospectus. The reconciliation between valuation of property interests held by our Company as at 31 August 2019 and the net book value of such property interests as at 31 March 2019 is as follow:

	<i>S\$’000</i>
Market value of properties as at 31 August 2019 as set out in the property valuation report in Appendix III to this prospectus	3,500
Difference	<u>(185)</u>
Net book value as at 31 March 2019	<u><u>3,315</u></u>

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INDEBTEDNESS

The following table sets out a breakdown of our indebtedness as at 31 March 2017, 31 March 2018, 31 March 2019 and 31 July 2019:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	S\$'000	S\$'000	S\$'000	S\$'000
				<i>(unaudited)</i>
Amount due to director	—	—	1,182	471
Borrowings	—	—	2,523	2,497
Lease liabilities	—	—	—	1,671
Total	—	—	3,705	4,639

On 6 April 2018, our Group has drawn down bank facility of S\$2.6 million to fund the purchase of the Properties under the Mortgage Loan Agreement. The bank borrowing was denominated in SGD and interest-bearing with a variable interest rate ranging from 1.3% to 1.8% above prevailing fixed deposit interest rate per annum. The bank borrowing has a term of 300 months and repayments are payable by monthly instalments. We plan to settle the bank borrowing by utilising our internal resources. The bank borrowing was secured by the Personal Guarantees of our Controlling Shareholders and the charge of the Prospectus. For details, please refer to sections headed “Business — Properties” and “Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Financial independence” of this prospectus.

Total indebtedness of our Group increased from approximately S\$3.7 million as at 31 March 2019 to approximately S\$4.6 million as at 31 July 2019, which was mainly due to the recognition of our lease liabilities as lessee of approximately S\$1.7 million, mitigated by the decrease of amount due to director of approximately S\$0.7 million.

Our Directors confirmed that they were not aware of any material covenants relating to our borrowing and we had complied with all covenants contained in the facility agreement. Save as those disclosed above and apart from intra-group liabilities and normal trade and other payables, we had not been granted any borrowings and did not have any material outstanding mortgages, charges, debentures, other loan capital (issued or agreed to be issued), bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, guarantees or other material contingent liabilities or any covenant. Our Directors confirm that there was no material delay or default in repayment of debt by our Group during the Track Record Period and up to the Latest Practicable Date. To the best knowledge and belief of our Directors, our Group will not have material difficulties in obtaining new banking facilities with commercially acceptable terms after Listing.

As at 31 July 2019, our Group had no unutilised banking facility.

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Contingent liabilities

During the Track Record Period and as at 31 July 2019, being the latest practicable date for the purpose of this indebtedness statement, our Group did not have any material contingent liabilities or guarantees.

STATEMENT OF INDEBTEDNESS

Bank borrowings

As at 31 July 2019, being the latest practicable date for the purpose of this indebtedness statement, our Group had secured bank borrowings of approximately S\$2.5 million secured by properties of our Group with carrying values of approximately S\$3.3 million included in the property, plant and equipment. These bank borrowings were guaranteed by the Personal Guarantees from Mr. Tay and Mr. Wong.

Amount due to director

As at 31 July 2019, our Group had an amount due to one of our Directors, Mr. Tay, amounting to approximately S\$0.5 million. The amount due to director is non-trade nature, interest-free, unsecured and repayable on demand, which has been fully settled as at the Latest Practicable Date.

Lease liabilities

As at 31 July 2019, our Group had lease liabilities amounted to approximately S\$1.7 million. Our lease liabilities are unsecured and non-guaranteed.

Save as disclosed above, our Directors confirm that, up to the Latest Practicable Date, there has been no material change in indebtedness, capital commitment and contingent liabilities of our Group since 31 July 2019, being the latest practicable date for the preparation of the indebtedness statement in this prospectus. Our Directors confirm that as at the Latest Practicable Date, our Group did not have any plans to raise any material debt financing shortly after Listing.

WORKING CAPITAL

Our Directors assess the working capital level of our Group based on, among others:

- our cash and cash equivalents on hand amounted to approximately S\$4.3 million as at 31 March 2019 and S\$5.8 million as at 31 July 2019 based on our Group's unaudited management accounts; and
- the estimated net proceeds from the Share Offer of approximately S\$15.8 million (based on the mid-point of the indicative Offer Price range of HK\$0.70 per Offer Share and 200,000,000 Offer Shares) to be received by our Group.

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WORKING CAPITAL STATEMENT

Our Directors are of the opinion that, after taking into account our Group's cash and cash equivalents on hand, banking facilities presently available to our Group, cash generated from our operation, the estimated net proceeds from the Share Offer and the dividend declared in September 2019, we have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this prospectus.

KEY FINANCIAL RATIOS

The following table sets out the selected financial ratios for the years indicated and as at the dates indicated:

	FY2017	FY2018	FY2019
Profitability ratios			
Net profit margin (<i>Note 1</i>)	19.9%	16.8%	10.6%
Return on total assets (<i>Note 2</i>)	28.9%	43.2%	17.7%
Return on equity (<i>Note 3</i>)	95.3%	98.7%	56.2%
As at/Year ended 31 March			
	2017	2018	2019
Liquidity ratios			
Current ratio (<i>Note 4</i>)	1.6	2.1	1.6
Quick ratio (<i>Note 5</i>)	1.6	1.8	1.5
Capital sufficiency ratios			
Gearing ratio (<i>Note 6</i>)	0.2%	0.2%	92.0%
Net debt to equity ratio (<i>Note 7</i>)	Net cash	Net cash	Net cash
Interest coverage (<i>Note 8</i>)	N/A	N/A	82.6 times

Notes:

1. Net profit margin equals our profit attributable to equity holders of our Company for the year divided by the revenue for the respective years multiplied by 100%.
2. Return on total assets is calculated based on the profit attributable to equity holders of our Company for the respective years divided by the total assets as at the end of the respective years multiplied by 100%.
3. Return on equity is calculated based on the profit attributable to equity holders of our Company for the respective years divided by the total equity as at the end of the respective years multiplied by 100%.
4. Current ratio is calculated based on the total current assets divided by total current liabilities as at the respective year end.
5. Quick ratio is calculated based on the total current assets less inventories divided by total current liabilities as at the respective year end.

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6. Gearing ratio is calculated based on the total debt divided by total equity as at the respective year end. Total debt includes borrowings and non-trade amounts due to related parties.
7. Net debt to equity ratio is calculated based on net debt divided by total equity as at the respective year end. Net debt includes borrowings and non-trade amounts due to related parties, netting of cash and cash equivalents.
8. Interest coverage ratio is calculated based on the profit before finance costs and income tax expenses for the respective year divided by finance costs for the respective year.

Net profit margin

Please refer to the paragraph headed “Comparison of results of our operations” in this section for the discussion of the factors affecting our net profit margin for the respective years.

Return on total assets

Our return on total assets increased from approximately 28.9% for FY2017 to approximately 43.2% for FY2018, mainly due to the decrease in our total assets of approximately S\$3.6 million. The decrease in total assets was mainly resulted from (i) the decrease in cash and cash equivalents by approximately S\$4.0 million in FY2018 mainly due to dividends paid to shareholders of approximately S\$6.8 million during FY2018; and (ii) the decrease in trade and other receivables and prepayments by approximately S\$0.5 million in FY2018 mainly due to the decrease in amount due from Master Licensee as a result of repayment made by it before year end; and partially offset by (i) the increase in plant and equipment by approximately S\$0.3 million due to increase in furniture and fitting kitchen equipment and leasehold improvements as a result of opening of new Self-operated Outlets and Restaurants; and (ii) the increase in inventories by approximately S\$0.4 million.

Our return on total assets decreased from approximately 43.2% for FY2018 to approximately 17.7% for FY2019, mainly due to the increase in our total assets of approximately S\$5.5 million and the decrease in our net profit of approximately S\$0.9 million for FY2019 due to the Listing expenses. The increase in total assets was mainly resulted from (i) the increase in property, plant and equipment by approximately S\$3.4 million in FY2019 mainly due to the acquisition of the Properties; and (ii) the increase in trade and other receivables and prepayments by approximately S\$2.2 million in FY2019 mainly due to increase in prepayments for Listing expenses and Listing expenses to be netted off against equity upon the Listing.

Return on equity

Our return on equity increased from approximately 95.3% for FY2017 to approximately 98.7% for FY2018, which was mainly due to the decrease in the total equity from approximately S\$3.3 million as at 31 March 2017 to approximately S\$3.2 million as at 31 March 2018 as a result of the dividends paid to shareholders of approximately S\$6.8 million during FY2018.

Our return on equity decreased from approximately 98.7% for FY2018 to approximately 56.2% for FY2019, which was mainly due to (i) the increase in equity from approximately S\$3.2 million as at 31 March 2018 to approximately S\$4.0 million as at 31 March 2019; and (ii) the decrease in net profit of approximately S\$0.9 million for FY2019.

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Current ratio and quick ratio

Our current ratio was approximately 1.6 times and 2.1 times as at 31 March 2017 and 31 March 2018, respectively. Our quick ratio was approximately 1.6 times and 1.8 times as at 31 March 2017 and 31 March 2018, respectively. Such increases were mainly due to the decrease in current liabilities of approximately S\$3.3 million primarily resulting from the decrease in trade and other payables of approximately S\$2.9 million due to decrease in dividends payable as all dividends declared for FY2018 were paid out during the year, and being partially netted off by the decrease in current assets of approximately S\$4.0 million primarily resulting from the combined effects of (i) the decrease in cash and cash equivalents by approximately S\$4.0 million in FY2018 due to paid out of dividends; (ii) the decrease in trade and other receivables and prepayments due to decrease in amount due from Master Licensee as repayment made before year end; and (iii) the increase in inventories by approximately S\$0.4 million.

Our current ratio was approximately 2.1 times and 1.6 times as at 31 March 2018 and 31 March 2019, respectively. Our quick ratio was approximately 1.8 times and 1.5 times as at 31 March 2018 and 31 March 2019, respectively. Such decreases were mainly due to the increase in current liabilities of approximately S\$2.2 million primarily resulting from (i) the increase in trade and other payables of approximately S\$1.9 million; (ii) the increase in current income tax liabilities of approximately S\$0.3 million; and (iii) the increase in current portion of borrowings of approximately S\$0.1 million for the purchase of the new office units. The decreases in our current ratio and quick ratio were partially offset by the increase in current assets of approximately S\$2.3 million primarily resulting from (i) the increase in trade and other receivables and prepayments of approximately S\$2.2 million; and (ii) the increase in cash and cash equivalents by approximately S\$0.2 million, netting off the decrease in inventories of approximately S\$0.1 million during FY2019.

Gearing ratio

Our gearing ratio remained relatively stable at approximately 0.2% and 0.2% as at 31 March 2017 and 31 March 2018, respectively. Our gearing ratio increased to 92.0% as at 31 March 2019 due to borrowings for the purchase of the new office premises and amount due to our Director.

Net debt to equity ratio

As the cash and bank balances exceeded total debts, we recorded net cash positions as at 31 March 2017, 31 March 2018 and 31 March 2019, respectively.

Interest coverage

Our calculation of interest coverage ratio was not applicable for FY2017 and FY2018 as our Group did not record any bank borrowing. Our interest coverage ratio was approximately 82.6 times for FY2019, mainly due to an increase in bank loans for the purchase of the new office units, which in turn resulted in an increase in our finance costs.

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RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 31 to the Accountant's Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or better and were considered fair and reasonable and in the interests of our Company and our Shareholders as a whole. Our transactions with Pacific Asia Projects Pte. Ltd. will continue after Listing as we have entered into a freight services agreement with them to govern these transactions, and accordingly, it will constitute continuing connected transactions (as defined under the Listing Rules) of our Group. For details of the continuing connected transactions, please refer to the section headed "Connected Transactions" of this prospectus.

The balances due to our Directors and related parties as at 31 March 2019 have been fully settled as at the Latest Practicable Date.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitments or arrangements.

BREAKEVEN ANALYSIS

For the year ended 31 March 2017, it is estimated that, holding all other variables constant, our Group would achieve breakeven in profit or loss (i) with an increase in cost of sales of approximately 47.9%; (ii) with an increase in employee benefits costs of approximately 153.1%; or (iii) with an increase in rental and related expenses of approximately 290.7%.

For the year ended 31 March 2018, it is estimated that, holding all other variables constant, our Group would achieve breakeven in profit or loss (i) with an increase in cost of sales of approximately 49.7%; (ii) with an increase in employee benefits costs of approximately 141.4%; or (iii) with an increase in rental and related expenses of approximately 254.5%.

For the year ended 31 March 2019, it is estimated that, holding all other variables constant, our Group would achieve breakeven in profit or loss (i) with an increase in cost of sales of approximately 37.5%; (ii) with an increase in employee benefits costs of approximately 116.0%; or (iii) with an increase in rental and related expenses of approximately 196.0%.

FINANCIAL RISK MANAGEMENT

Our Group's activities expose it to a variety of financial risks, including interest rate risk, currency risk, credit risk and liquidity risk. Our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details regarding our exposures to financial risks, please refer to note 3 to the Accountant's Report.

DIVIDENDS

We acknowledge the importance and benefits of shareholder value. Through the declaration and distribution of dividends, we have been able to align our Group's interest with our shareholders through our years of operations and there have been no changes in our shareholding or any disputes between our

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shareholders since incorporation. For FY2017, FY2018 and FY2019, our Group declared and paid dividends of approximately S\$4.1 million, S\$3.4 million and S\$1.1 million, respectively to our Controlling Shareholders. On 23 September 2019, our Group declared dividends of S\$1.0 million to our Controlling Shareholders, which is expected to be paid in October 2019.

We believe a dividend policy will assist our Group in the development of a stable shareholder base and in building shareholder confidence. Following the Listing, we will adopt a well-defined dividend policy. It is our intention to declare and distribute interim and/or final dividends in each year of not less than in aggregate 40% of our consolidated net profit after tax for any particular financial year.

The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. We have adopted a dividend policy, according to which our Board shall take into account, inter alia, the following factors when deciding whether to propose a dividend and in determining the dividend amount: (i) operating and financial results; (ii) cash flow situation; (iii) business conditions and strategies; (iv) future operations and earnings; (v) taxation consideration; (vi) interim dividend paid, if any; (vii) capital requirement and expenditure plans; (viii) interests of shareholders; (ix) statutory and regulatory restrictions; (x) any restrictions on payment of dividends; and (xi) any other factors that our Board may consider relevant. It is also subject to the approval of our Shareholders, the Companies Law, the Articles of Association as well as any applicable laws.

The dividend policy shall in no way constitute a legal and binding commitment by our Company that any dividend will be paid and/or in no way obligate our Company to declare a dividend at any time or from time to time.

LISTING EXPENSES

The total Listing fees in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately S\$8.5 million (equivalent to approximately HK\$49.1 million), assuming the Over-allotment Option is not exercised and based on the mid-point of the indicative Offer Price range of HK\$0.70 per Offer Share and 200,000,000 Offer Shares. Among the estimated total Listing fees, (i) approximately S\$4.1 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately S\$4.4 million is expected to be recognised as expenses in our combined statements of profit or loss and other comprehensive income, of which approximately S\$0.9 million have been recognised for the year ended 31 March 2018 and approximately S\$2.6 million have been recognised for the year ended 31 March 2019 and the balance of approximately S\$0.9 million is expected to be recognised for the year ending 31 March 2020.

Our Directors would like to emphasise that the amount of the Listing expenses is a current estimate for reference only and the final amount to be recognised in the combined financial statements of our Group for the year ending 31 March 2020 is subject to adjustment based on audit and the then changes in variables and assumptions.

Prospective investors should note that the financial performance of our Group for the year ending 31 March 2020 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may not be comparable to the financial performance of our Group in the past.

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DISTRIBUTABLE RESERVES

Under Cayman Islands law, we may pay dividends out of our profit or our share premium account in accordance with the provisions of our Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, we remain able to pay our debts as and when they fall due in the ordinary course of business.

Our Company was incorporated on 2 February 2018 and is an investment holding company. As at the Latest Practicable Date, our Company did not have distributable reserves to our Shareholders.

POST BALANCE SHEET EVENTS

Please refer to Note 33 to the Accountant's Report.

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD AND MATERIAL ADVERSE CHANGE

Please refer to the section headed "Summary — Recent development subsequent to the Track Record Period and material adverse change" of this prospectus for details.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 and 13.19 of the Listing Rules.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to the section headed "Unaudited Pro Forma Financial Information" as set out in Appendix II to this prospectus for details.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING AND THE SHARE OFFER

Our Directors believe that the Listing will enable our Group to implement our business strategies set out in the section headed “Business — Strategies” of this prospectus and to achieve our business objective to becoming a renowned international food and beverages group.

Commercial rationale for the Listing

The reasons of the Listing are set out below:

(i) *Strengthening our Group’s corporate profile, credibility and competitiveness*

A public listing status on the Stock Exchange can strengthen our Group’s reputation, credibility and competitiveness to promote the Non-self-operated business of our Group.

Historically and up to the Latest Practicable Date, we had been successful in expanding our business scale and geographic coverage to 228 Shihlin Outlets and Restaurants in Singapore, Malaysia, Indonesia and United States, which our Directors believe is attributable in part to our local reputation in Singapore and Malaysia built upon our years of presence. Our Directors believe with a listing status, we can further facilitate our continuous business growth to the next level and to achieve our business objective of being a renowned international food and beverages group for the following reasons:

- **Credibility:** The increased level of information transparency after Listing would give our existing and prospective franchisees and licensees, suppliers, landlords and other external stakeholders the public access to our Group’s corporate and financial information. We are required to comply with certain rules and regulations after Listing, including the Listing Rules, the Takeovers Codes and other applicable rules and regulations of the Stock Exchange and the SFC, which a private company is generally not required to observe. Pursuant to such rules, we are required to publish certain information about our Group, including our financial information, interim and annual reports as well as inside information, on a timely basis. Our financial information and certain corporate information are also made transparent and available to the public and are subject to the scrutiny of the regulators and our Shareholders. In addition, certain corporate actions require the approval of independent Shareholders. In this connection, our Directors believe that the stringent corporate governance practices associated with our listing status will enhance our internal control and risk management procedures to be of an internationally accepted standard as compared to those adopted when we were a private entity. A listed company whereby its internal controls, operations, etc. are transparent and subject to review and public scrutiny provides more confidence to investors, franchisees and shareholders. We have, at times, been asked by potential franchisees/licensees whether we are a listed group. As such, by having a listing status not only increases the credibility of our Group, it also increases our Board’s and our Group’s accountability as we comply with the rules and regulations of the market we populate and invites transparency. These serve as a benchmark of measures taking by our Company to protect investors and shareholders. While the additional requirements set out for a company seeking a listing on the Stock Exchange is to serve as measures for shareholder protection, a well known plus side associated with a listing is also

FUTURE PLANS AND USE OF PROCEEDS

indirect advertising for our Company as our image is generally improved once we become listed, and hence improving confidence in our Group among our external stakeholders.

- ***Reputation and competitiveness amongst our competitors:*** The status of being a listed company on the Stock Exchange in Hong Kong would also raise our Group's reputation amongst our competitors, in particular we will gain a competitive advantage over private companies as prospective franchisees or licensees who are choosing between different franchisors or licensors may have more confidence in joining a publicly listed group taking into account of the overall resources, reputation and the public shareholders' confidence in our Group. Our Directors are of the view that the Listing will increase our bargaining power in negotiating transaction terms in respect of our Non-self-operated business. Furthermore, we believe we will gain a competitive advantage over our competitors for retail premises as landlords may prefer our Group, which is a listed company with higher corporate profile and brand awareness and less risk of rental default. Altogether, the enhanced reputation and competitiveness will facilitate the implementation of our business strategies and expand our franchises and licences base.
- ***Expansion of Self-operated Outlets and Restaurants at a faster pace:*** Since our incorporation in 2003, we had developed our Self-operated Outlets and Restaurants network comprising 15 Self-operated Outlets in Singapore and 14 Self-operated Restaurants in West Malaysia as at the Latest Practicable Date, all of which were funded by our internally generated funds throughout the past years. Being a private entity with limited financial and human capital resources, we are more risk averse and chose to expand slowly. With the improvement in the financial strength from the Share Offer and the benefits bring about by the Listing status, we believe our competitiveness would be enhanced after the Listing and that we would be well positioned to adopt a more aggressive strategy for our expansion plan.
- ***Motivation of our staff:*** The listing status will help raise staff confidence. It will improve our ability to recruit, motivate and retain key management personnel so as to expediently and effectively capture any business opportunities that may arise. The Listing will enable us to offer an equity-based incentive program (such as the Share Option Scheme) to our employees that more directly correlates to their performance with our business. We would therefore be in a better position to motivate our employees with any incentive programs that are closely aligned with the objective of creating value for our Shareholders.

All of the above will strengthen our competitiveness, expand our market share and benefit our business performance and growth.

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(ii) Diversification of shareholder base and enhance liquidity in trading of Shares

Our Directors take the view that the Listing will enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of shares that are privately held before the Listing. There is no liquidity for the shares of a private company given that there is no established market for purchase or sale of shares of private companies in general. The liquidity of our Shares is related to the overall inclination of investors to trade in the securities market whereby the volume would increase in an upward trend market as well based on the track record of our Company's business and financial performance. If we can continue to demonstrate our continued growth and strong performance and management, our Directors believe that the market will respond positively to such factors. Obviously, liquidity will also depend on the rationale of an investor's investment strategy such as whether for long term investment or short term gains. With a good balance of both type of investors, our Directors believe that a stable and constant liquidity of our Shares can be sustained in the long run.

In addition, our Directors expect that prospective investors will be attracted to companies that have a public listing status with good reputation, transparent financial disclosures and regulatory supervision. This will enable our Company to attract institutional investors. Hence, our Directors consider that the Listing will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares. Our Company will be able to diversify the risk of ownership among a larger group of Shareholders, which is important as we continue to expand our business. A diversified shareholder base provides an enlarged equity fund-raising platform for our Group, enabling our Group to have access to equity market to raise funds, as opposed to equity funding from our existing Shareholders, Mr. Wong and Mr. Tay. Further, the higher liquidity of the Hong Kong stock market allows us to diversify our shareholders base to a combination of institutional and retail investors in Hong Kong and will assist in reflecting the fair value of our Group, which helps facilitate the valuation of future fund raising exercise and enhance our capital raising capability for continued business expansion.

(iii) Improving our financial structure

We have historically been relying on internally generated funds to support our operations and business development. During the Track Record Period, we did not obtain banking facilities or draw down borrowings for our operation, save for the mortgage loan in April 2018 to finance the acquisition of the Properties. Given our Group's business is asset-light, it was difficult for us to obtain debt financing without material assets as security. Thus, we have also relied on the Personal Guarantees granted by each of Mr. Tay and Mr. Wong as security for the mortgage loan, which created financial burden on our Controlling Shareholders and over reliance on their financial strength. In fact, based on an enquiry with a bank, our Group is only able to obtain bank overdraft facility of S\$0.5 million that requires personal guarantees from our Controlling Shareholders without relying on any properties for security, which represents only approximately 3.2% of the net proceeds from the Share Offer (based on mid-point of the indicative Offer Price range). The Properties are currently charged for the mortgage loan, which is for a term of 25 years up to May 2043. Since the Properties are already being charged, it would be difficult to use them to secure any additional bank borrowings during the term of the existing mortgage loan. Notwithstanding, for indicative purpose, based on our Group's enquiries with banks, assuming the Properties are not already charged, the amount of new term loan that our Group can obtain with the charge of the

FUTURE PLANS AND USE OF PROCEEDS

Properties is approximately S\$3.2 million, which is only about 20.3% of the net proceeds from the Share Offer (based on mid-point of the indicative Offer Price range). Therefore, it is infeasible to fund our expansion plans through bank borrowings.

Further, the financing cost of bank borrowings are usually relatively higher for private companies. If we rely on bank borrowings to finance our operations and expansion plans, it will increase our expenses and place significant financial burden on the small group of Shareholders for providing guarantees. Assuming we can obtain bank borrowing in the same amount as the net proceeds from the Share Offer, being approximately S\$15.8 million (based on the mid-point of the indicative Offer Price range) and based on the weighted average effective interest rates of our borrowings as at 31 March 2019 of 1.6%, we would incur approximately S\$253,000 of interest expense for such bank borrowing per annum, which is over six times of our interest expense for FY2019 of approximately S\$40,000. Nonetheless, the aforesaid calculation is for illustrative purpose only. Given our asset-light business model and being a private entity, even with the charge of the Properties, the amount of bank borrowing that we would be able to obtain is substantially smaller than the amount of net proceeds from the Share Offer. Even in the unlikely event that we could obtain S\$15.8 million of bank borrowing to finance our expansion plan, the level of interest rate charged would surely be significantly higher than the historical weighted average effective interest rates of our existing borrowings, based on the financial position of our Group.

Altogether, being a private entity, our financial resources rely largely on the financial strength of the small group of Shareholders and there are limitations in obtaining bank borrowings. This substantially hinders the development and expansion of our business. Our Directors are of the view that no healthy, sizeable and established corporation should rely heavily on the financial resources of its shareholders to fund its business.

Therefore, our Directors considered our current funding structure of relying on internally generated funds is unsuitable for providing long-term financial support for our business expansion. Therefore, our Directors consider there is a genuine need to pursue the Listing in order to have better funding platforms for future fundraising for business development in the long run and to raise funds through the Share Offer to finance our Group's expansion plan. Following the Listing, we will have access to the capital markets, providing us additional avenues for future fundraising through the issuance of equity and debt securities for business development in the long run. The Listing will enable us to have access to the equity market for fundraising both at the time of Listing with a one-off payment of Listing expenses and after Listing at a cost that is significantly less than bank borrowing interests. Furthermore, the ability to obtain bank financing is generally better with a listed entity as compared to a private entity and the borrowing rate and the pledged security of a listed entity is lower than those of a private entity. Equity financing also reduces the risk exposure as to interest rate fluctuations, enabling our Group to minimise our borrowing costs. Lastly, unlike equity financing, proceeds from debt financing are required to be repaid. Our Directors would like to emphasise that our Company did not pursue the Listing solely for the net proceeds from the Share Offer. Instead, the Listing provides a jump board that enables us to achieve long-term benefits for our continuing development. Therefore, our Directors consider the Listing exercise as a whole to be cost effective.

FUTURE PLANS AND USE OF PROCEEDS

Taking into account (i) the constraint of our Group to raise further debt financing in terms of capacity, collaterals, guarantees and covenant restrictions; (ii) an adequate amount of funds is expected to be raised through the Listing to satisfy our implementation of business strategies; and (iii) the Listing will allow more flexibility in satisfying our Group's future financing needs, equity financing currently is the preferred option to raise capital for our expansion plan.

In long term, we need to expand our fundraising channels for future development, instead of relying on internally generated funds historically. Both equity financing and debt financing have their own benefits. The Listing not only enables our Group to raise funds from the Share Offer, but also provides us access to capital markets for future secondary fundraisings, as well as improves our ability to obtain bank borrowings with generally better commercial terms. Going forward, our Group will choose between equity financing and debt financing on a case-by-case basis when money is needed, considering factors such as the amount of funds required, the usage of the funds, the timing of the funds needed, the then financial position of our Group and market condition. We will constantly monitor our financial position and intend to maintain a healthy debt-to-equity ratio and interest coverage that is appropriate for our scale of operation from time to time and to minimise our cost of capital while maintaining a healthy cashflow for our working capital needs.

Commercial rationale for listing in Hong Kong

In considering the Listing, our Directors had considered and evaluated the benefits of listing on the stock exchange in Singapore and the Stock Exchange. With respect to a listing in Singapore, our Directors are of the view that we had already developed wide publicity in Singapore through our extensive marketing initiatives and had been gradually expanding our international presence over the years. Despite current Franchisees and Licensee are mainly in Singapore, Malaysia and Indonesia, our Directors considered an international corporate profile, as opposed to a domestic Singapore-based food and beverages group, would be more beneficial to our continuous growth and diversification, especially for the expansion of our Non-self-operated business outside the aforesaid countries which we already have presence.

As at the Latest Practicable Date, there were 228 Shihlin Outlets and Restaurants comprising (i) 15 Self-operated Outlets in Singapore; (ii) 14 Self-operated Restaurants in West Malaysia; (iii) two franchise Outlets in Singapore; (iv) three franchise Restaurants in Singapore; (v) three franchise Outlets in West Malaysia; (vi) 62 franchise Restaurants in West Malaysia; (vii) one franchise Outlet in East Malaysia; (viii) two franchise Restaurants in East Malaysia; (ix) 20 sub-licence Outlets in Indonesia; (x) 101 sub-licence Restaurants in Indonesia; (xi) three franchise Restaurants in Northern California; and (xii) two sub-franchise Restaurants in Northern California. Our Directors believe our business model is scalable and replicable internationally to other countries, including the vast PRC food and beverages market. An international corporate profile that comes with a Listing on the Stock Exchange would help promote our corporate name to potential franchisees and licensees located in countries other than those we already have developed wide publicity and hence strengthen our goal to becoming an international food and beverages group. Our Directors believe that Hong Kong is a major international financial centre comprising established infrastructure that attracts investors worldwide. The Stock Exchange is a suitable platform given its level of international recognition and maturity in the global financial world.

FUTURE PLANS AND USE OF PROCEEDS

Furthermore, our Directors believe that a listing status will enable our Group to gain publicity in Hong Kong and the PRC, which can offer potential market opportunities for our Group. Such increased public awareness of our Group can assist us in venturing into Hong Kong, the PRC and overseas markets. Despite the closure of the Shihlin Outlet in Hong Kong operated by STSS Concepts (HK) Limited during FY2017 mainly due to a lack of publicity of our brand at the material time, our Directors have confidence that there will be potential franchisees interested in operating Non-self-operated Outlets in Hong Kong and the PRC, especially with the extended credibility and branding of our Group that comes with the Listing, because (i) Taiwanese beverages are highly popular in Hong Kong and the PRC and hence there are market demand; (ii) there are various Taiwanese snacks and beverages companies in Hong Kong and the PRC offering similar menu such as our signature crispy chicken and hence the general public is familiar with Taiwanese snacks and beverages; and (iii) there are many snacks and beverages franchises in Hong Kong and the PRC and hence it is easier for the general public to accept new snacks concept.

Altogether, taking into account of the higher liquidity, higher trading volume, additional means to secondary fundraising and Hong Kong as the gateway to access Chinese and international investors, our Directors are of the view that the Stock Exchange would be more advantageous and in the best interests of our Shareholders as a whole. In particular, our Directors believe that Hong Kong would facilitate and expedite the internationalisation of our Group and establishing an international presence in Hong Kong would be the first step of our Group to achieving our long term goal to venture into the international market, in particular, the vast PRC food and beverages market in the future.

Our capital requirements and reasons for the Share Offer

While our cash and cash equivalents amounted to approximately S\$5.8 million as at 31 July 2019, after considering our current financial condition as set out below and our planned capital expenditure, our Directors are of the view that our current internal resources are insufficient to cover our funding needs and the net proceeds from the Share Offer are necessary for the successful implementation of our future plan:

— *Available banking facilities:*

During the Track Record Period and up to the Latest Practicable Date, we did not obtain any banking facilities except the mortgage loan for the acquisition of the Properties. As at 31 July 2019, our Group did not have any unutilised banking facilities. Given our Group's business is asset-light, it was difficult for us to obtain debt financing without material assets as security.

— *Available cash balance:*

We had cash and cash equivalents of approximately S\$5.8 million as at 31 July 2019 as compared to the estimated net proceeds from the Share Offer of approximately S\$15.8 million (based on the mid-point of the indicative Offer Price range taking no account of the exercise of the Over-allotment Option). Moreover, we had an amount due to Director of approximately S\$0.5 million as at 31 July 2019, which has been repaid as at the Latest Practicable Date. Moreover, we have declared a dividend of S\$1.0 million in September 2019. Our Directors intended to maintain our cash on hand to support the working capital requirements of our daily operation, while the net proceeds from the Share Offer will help finance our development and expansion plans.

FUTURE PLANS AND USE OF PROCEEDS

— *Cash management:*

Our cash level of approximately S\$5.8 million as at 31 July 2019 is only sufficient for our Group's current scale of operation, considering that (i) after the repayment of amount due to Director of approximately S\$0.5 million as at 31 July 2019 and payment of the declared dividend of S\$1.0 million in October 2019, our cash and cash equivalents would reduce to approximately S\$4.3 million; (ii) we had trade and other payables of approximately S\$4.1 million as at 31 July 2019; and (iii) our historical cost of food and beverages, cost of packaging materials, selling and distribution expenses, administrative expenses (excluding Listing expenses), finance cost and income tax expense in aggregate amounted to approximately S\$16.7 million in aggregate for FY2019, which translates into a theoretical monthly cost of approximately S\$1.4 million per month, meaning that our net cash and cash equivalents as at 31 July 2019, after deducting the amount payable to Director and dividend payable is equivalent to only approximately three months of our average operating expenses.

Our Directors consider it necessary to maintain sufficient working capital as we generally rely on cash inflow from our Self-operated business and Non-self-operated business to meet our payment obligations to our suppliers from time to time. While all transactions at our Self-operated Outlets and Restaurants are settled in cash at the time of transaction, we also rely on prompt settlement of sales to Franchisees and Licensee, Franchise Fees and Licence Fees and advertising and promotion fees from Franchisees in Singapore and West Malaysia. For FY2017, FY2018 and FY2019, our average trade receivables turnover days were approximately 25.9 days, 17.9 days and 8.2 days, respectively, while our average trade payables turnover days were approximately 18.4 days, 18.0 days and 17.6 days, respectively. Taking into account of the fluctuations in the trade receivables turnover days and the trade payables turnover days, our Directors consider it necessary to carefully manage our cash resources to support the working capital requirements of our daily operation.

As part of our strategy to expand our Self-operated Outlets in Singapore and Self-operated Restaurants in West Malaysia, we expect that our operating cost will increase along with the enlarged scale of operation and our working capital requirement will increase consequentially. Having considered the aforesaid cash outflow requirements, and that our Group's current net cash level as at 31 July 2019, after deducting the amount payable to Director and dividend payable is only equivalent to only approximately three months of our average operating expenses, our Directors consider it necessary to maintain cash on hand to support the working capital requirements of our daily operations, while the net proceeds from the Share Offer will be used to fund our development plans.

Further, our Group is required to maintain a minimum level of cash on hand in order to meet working capital requirements when they fall due and to sustain the operations in the event of unforeseen circumstances. The food and beverage industry, including our Group's business, is sensitive to market demand, competition, general economic condition and any unforeseen unfavourable conditions that may affect our cash receipts, such as outbreaks of contagious diseases that have spread across the world in recent years and change in tenant mix of the mall that our Self-operated Outlet or Restaurant is located leading to significant decrease in customer flow. While we did not encounter any material delays in the payments from Franchisees and Licensee during the Track Record Period, any unfavourable business condition, for example material economic downturn may adversely affect the businesses of the Franchisees and Licensee, and in turn may lead to them delaying payments to us. Accordingly, our Directors consider it crucial for our Group to maintain certain level of cash resources on hand in order to meet working capital requirements when they fall due and to sustain the operations in the event of

FUTURE PLANS AND USE OF PROCEEDS

unforeseen circumstances. In order to ensure the smooth running of our daily operations, our Directors consider our Group should adopt a prudent cash management approach in maintaining our cash on hand at a target level to satisfy around four months of operating expenses with reference to the breakeven periods of the Self-operated Outlets and Restaurants opened during the Track Record Period of around one to two months and in case of any unforeseen event.

— *Declaration and distribution of dividend:*

For FY2017, FY2018 and FY2019, our Group declared and paid dividends of approximately S\$4.1 million, S\$3.4 million and S\$1.1 million, respectively to our Controlling Shareholders. We have declared a dividend of S\$1.0 million in September 2019. We currently intend to adopt, after the Listing, a general dividend policy of declaring and paying dividends on an annual basis of not less than 40% of our consolidated net profit after tax for any particular financial year.

In summary, the Listing will help strengthen the competitiveness of our Group, offer us more flexibility to finance our operation so as to allow us to respond to business opportunities expeditiously and differentiating us from our competitors, so as to be in a better position to seize business opportunities and secure our market position in the fast food industry. Therefore, our Directors consider that it is strategically and commercially justifiable to pursue the Listing and the Share Offer.

FUTURE PLANS

For details of our future plans, please refer to the section headed “Business — Business strategies” of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

The following table sets forth the estimate of net proceeds (the “**Net Proceeds**”) from the Share Offer which we are expected to receive after deduction of underwriting commissions and any discretionary incentive fee which may be payable by us in connection with the Share Offer:

	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
	<i>HK\$' million</i>	<i>S\$' million</i>	<i>HK\$' million</i>	<i>S\$' million</i>
Assuming an Offer Price of HK\$0.65 per Offer Share (being the low end of the Offer Price range stated in this Prospectus)	82.0	14.2	99.4	17.2
Assuming an Offer Price of HK\$0.70 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	90.9	15.8	109.6	19.0
Assuming an Offer Price of HK\$0.75 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	99.8	17.4	119.8	20.8

We estimate the Net Proceeds which we will receive, assuming the Over-allotment Option is not exercised and an Offer Price of HK\$0.70 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$90.9 million (equivalent to approximately S\$15.8 million). We intend to use the Net Proceeds for the following purposes:

- ***New Self-operated Outlets in Singapore:*** approximately 22.2%, or approximately S\$3.5 million, will be used to open up to 16 new Self-operated Outlets in Singapore with an estimated investment of approximately S\$216,000 for each Self-operated Outlet. Assuming there are no changes to the existing number of Self-operated Outlets and there will be no changes to our expansion plan, we will have a total of 29 Self-operated Outlets in Singapore after the opening of the 16 new Self-operated Outlets by 31 March 2024. The approximately S\$216,000 allocated for each Self-operated Outlet will be further allocated as to (i) approximately 39.0% on renovation and purchase of new equipment and fixtures; (ii) approximately 29.1% on rental deposit, which is estimated to be equivalent to three months lease payments, and rental payments; (iii) approximately 2.8% on purchases of inventories; and (iv) approximately 29.1% on staff recruitment and training of 80 staff to support the proposed 16 new Self-operated Outlets. It is currently anticipated five new staff will be required for each new Self-operated Outlet, comprising one manager, two kitchen staff and two counter staff. Currently, we estimate the investment payback and breakeven periods for our new Self-operated Outlets in Singapore to be comparable to those of our Self-operated Outlets in Singapore that were opened during the Track Record Period, being generally an

FUTURE PLANS AND USE OF PROCEEDS

investment payback period of up to 16 months and a breakeven period ranging from one to two months. We expect the initial set up costs (as detailed above) will be funded by utilising the Net Proceeds and the ongoing operating expenses will be funded by the monthly receipts.

- ***New Self-operated Restaurants in West Malaysia:*** approximately 16.5%, or approximately S\$2.6 million, will be used to open 20 new Self-operated Restaurants in West Malaysia with an estimated investment of approximately S\$127,500 for each Self-operated Restaurant. Assuming there are no changes to the existing number of Self-operated Restaurants and there will be no changes to our expansion plan, we will have a total of 33 Self-operated Restaurants in West Malaysia after the opening of the 20 new Self-operated Restaurants by 31 March 2024. The approximately S\$127,500 allocated for each Self-operated Restaurant will be further allocated as to (i) approximately 45.0% on renovation and purchase of new equipment and fixtures; (ii) approximately 20.0% on rental deposit, which is estimated to be equivalent to three months lease payments, and rental payments; (iii) approximately 11.0% on purchases of inventories; and (iv) approximately 24.0% for staff recruitment and training of 120 staff to support the proposed 20 new Self-operated Restaurants. It is currently anticipated approximately six new staff will be required for each new Self-operated Restaurant, comprising one manager, three kitchen staff and two counter staff. Currently, we estimate the investment payback and breakeven periods for our new Self-operated Restaurants in West Malaysia to be comparable to those of our Self-operated Restaurants in West Malaysia that were opened during the Track Record Period, being generally an investment payback period ranging from three to 16 months and a breakeven period ranging from one to two months. We expect the initial set up costs (as detailed above) will be funded by utilising the Net Proceeds and the ongoing operating expenses will be funded by the monthly receipts.
- ***Expansion of our Non-self-operated Outlets and Restaurants network:*** approximately 20.9%, or approximately S\$3.3 million, will be used to (i) recruit up to five staff at our Singapore and West Malaysia office to assist in our Non-self-operated business operations; and (ii) participate and attend in trade missions and franchise exhibitions.
- ***Refurbishment of our Self-operated Outlets and Restaurants:*** approximately 15.8%, or approximately S\$2.5 million, will be used to refurbish around five Self-operated Outlets in Singapore and four Self-operated Restaurants in West Malaysia each year up to 31 March 2023 with an estimated capital expenditure of approximately S\$80,000 and S\$55,000 for each Self-operated Outlet in Singapore and Self-operated Restaurant in West Malaysia, respectively.
- ***Strengthening our manpower:*** approximately 8.2%, or approximately S\$1.3 million, will be used to recruit staff in Singapore and West Malaysia, comprising:
 - five staff at our Singapore office to assist in our Self-operated business operations, as enlarged by the new Self-operated Outlets to be opened. It is currently anticipated that we will recruit up to two senior operations managers, one operations manager, one operations executive and one administrative staff.

FUTURE PLANS AND USE OF PROCEEDS

- seven staff at our West Malaysia office to assist in our Self-operated business operations, as enlarged by the new Self-operated Restaurants to be opened. It is currently anticipated that we will recruit up to two senior operations managers, one operations manager, three operations executive and one administrative staff.
- **Marketing and promotional initiatives:** approximately 8.2%, or approximately S\$1.3 million, will be used for our *Shihlin Taiwan Street Snacks*[®] brand development and targeted sales and marketing campaigns.
- **Upgrade our IT infrastructure, data management and franchise management systems:** approximately 8.2%, or approximately S\$1.3 million, will be used to develop our customised ERP system to enhance our data infrastructure and analysis systems and facilitate franchise management.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed below or above the mid-point of the indicative price range.

In the event that the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$18.7 million (equivalent to approximately S\$3.2 million), after deducting underwriting commissions, fees and other estimated expenses payable by us, assuming an Offer Price of HK\$0.70 per Share (being the mid-point of the Offer Price range of HK\$0.65 to HK\$0.75 per Share). We intend to apply all additional net proceeds for the same purposes as set out above on a pro rata basis.

Assuming the Over-allotment Option is not exercised, if the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.75 per Share, the Net Proceeds will increase by approximately HK\$8.9 million (equivalent to approximately S\$1.5 million). We intend to apply the additional Net Proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.65 per Share, the Net Proceeds will decrease by approximately HK\$8.9 million (equivalent to approximately S\$1.5 million). We intend to reduce the Net Proceeds for the above purposes on a pro-rata basis.

To the extent that the net proceeds from the Share Offer are not immediately applied to the above purposes, we intend to place the same in short-term deposits with licensed banks or financial institutions in Singapore or Malaysia as permitted by the relevant laws and regulations. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

FUTURE PLANS AND USE OF PROCEEDS

IMPLEMENTATION PLANS

We set out below the tentative schedule for the opening of our new Self-operated Outlets and Restaurants in Singapore and Malaysia:

	For the year ending 31 March					Total
	From the Latest Practicable Date up to					
	2020	2021	2022	2023	2024	
(1) New Self-operated Outlets in Singapore						
Number of new Self-operated Outlets	2	4	4	4	2	16
• Renovation and purchase of new equipment and fixtures	S\$168,500	S\$337,000	S\$337,000	S\$337,000	S\$168,500	S\$1,348,000
• Rental deposit and rental payments	S\$125,500	S\$251,000	S\$251,000	S\$251,000	S\$125,500	S\$1,004,000
• Purchases of inventories	S\$12,500	S\$25,000	S\$25,000	S\$25,000	S\$12,500	S\$100,000
• Staff recruitment and training	S\$125,500	S\$251,000	S\$251,000	S\$251,000	S\$125,500	S\$1,004,000
Total costs (based on S\$216,000/Outlet)	S\$432,000	S\$864,000	S\$864,000	S\$864,000	S\$432,000	S\$3,456,000
(2) New Self-operated Restaurants in West Malaysia						
Number of new Self-operated Restaurants	2	5	5	5	3	20
• Renovation and purchase of new equipment and fixtures	S\$115,000	S\$287,000	S\$287,000	S\$287,000	S\$172,000	S\$1,148,000
• Rental deposit and rental payments	S\$51,000	S\$127,500	S\$127,500	S\$127,500	S\$76,500	S\$510,000
• Purchases of inventories	S\$28,000	S\$70,000	S\$70,000	S\$70,000	S\$42,000	S\$280,000
• Staff recruitment and training	S\$61,000	S\$153,000	S\$153,000	S\$153,000	S\$92,000	S\$612,000
Total costs (based on S\$127,500/Restaurant)	S\$255,000	S\$637,500	S\$637,500	S\$637,500	S\$382,500	S\$2,550,000
(3) Expansion of Non-self-operated Outlets and Restaurants network						
Five new staff in Singapore	—	S\$180,000	S\$363,000	S\$363,000	S\$546,000	S\$1,452,000
Five new staff in West Malaysia	—	S\$135,000	S\$172,000	S\$172,000	S\$209,000	S\$688,000
Trade missions and franchise exhibitions	—	S\$290,000	S\$290,000	S\$290,000	S\$290,000	S\$1,160,000
Total costs	—	S\$605,000	S\$825,000	S\$825,000	S\$1,045,000	S\$3,300,000

FUTURE PLANS AND USE OF PROCEEDS

	For the year ending 31 March					Total
	From the Latest Practicable Date up to					
	2020	2021	2022	2023	2024	
(4) Refurbishment of Self-operated Outlets and Restaurants						
Number of Self-operated Outlets in Singapore	5	5	2	8	—	20
Sub-total costs (based on S\$80,000/Outlet)	S\$400,000	S\$400,000	S\$165,000	S\$635,000	—	S\$1,600,000
Number of Self-operated Restaurants in West Malaysia	4	4	4	4	—	16
Sub-total costs (based on S\$55,000/Restaurant)	S\$220,000	S\$220,000	S\$220,000	S\$220,000	—	S\$880,000
Total cost	S\$620,000	S\$620,000	S\$385,000	S\$855,000	—	S\$2,480,000

FUTURE PLANS AND USE OF PROCEEDS

	For the year ending 31 March					Total
	From the Latest Practicable Date up to 2020	2021	2022	2023	2024	
	2020	2021	2022	2023	2024	
(5) Strengthening our manpower						
Staff in Singapore office						
● Two new senior operations managers			S\$210,000	S\$226,000	S\$192,000	S\$628,000
● One new operations manager	—	S\$60,000	—	S\$69,000	—	S\$129,000
● One new operations executive	—	—	S\$42,000	S\$48,000	—	S\$90,000
● One new administrative staff	—	—	S\$36,000	S\$41,000	S\$36,000	S\$113,000
Sub-total costs	—	S\$60,000	S\$288,000	S\$384,000	S\$228,000	S\$960,000
Staff in West Malaysia office						
● Two new senior operations managers	S\$12,000	S\$37,000	S\$37,000	S\$69,000	S\$22,000	S\$177,000
● One new operations manager	—	—	S\$33,000	S\$33,000	—	S\$66,000
● Three new operations executives	—	S\$16,000	S\$17,000	S\$19,000	—	S\$52,000
● One new administrative staff	—	S\$2,000	S\$15,000	S\$15,000	S\$13,000	S\$45,000
Sub-total costs	S\$12,000	S\$55,000	S\$102,000	S\$136,000	S\$35,000	S\$340,000
Total costs	S\$12,000	S\$115,000	S\$390,000	S\$520,000	S\$263,000	S\$1,300,000
(6) Marketing and promotional initiatives	S\$205,000	S\$325,000	S\$325,000	S\$325,000	S\$120,000	S\$1,300,000
(7) Upgrade our IT infrastructure, data management and franchise management systems	—	—	S\$870,000	S\$449,000	—	S\$1,319,000
Total:	<u>S\$1,524,000</u>	<u>S\$3,166,500</u>	<u>S\$4,296,500</u>	<u>S\$4,475,500</u>	<u>S\$2,242,500</u>	<u>S\$15,705,000</u>

UNDERWRITING

HONG KONG UNDERWRITERS

Joint Bookrunners, Joint Lead Managers and Public Offer Underwriters

ChaoShang Securities Limited
Lego Securities Limited

Co-lead Managers and Public Offer Underwriters

Alpha Financial Group Limited
Excellent Success Investments Limited
Head & Shoulders Securities Limited
Paragon Securities Limited
Solomon JFZ (Asia) Holdings Limited
ZACD Financial Group Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to initially offer 20,000,000 new Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) shall have the absolute right, in their sole and absolute discretion, to terminate the Public Offer Underwriting Agreement by notice in writing to our Company with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Bookrunners:
 - (i) any statement contained in this prospectus, the Application Forms, the post hearing information pack, the formal notice, any submission, document or information provided to the Sole Sponsor and/or the Joint Bookrunners and any announcement or document issued by our Company in connection with the Share Offer (including any supplement or amendment thereto) (the “**Offer Documents**”) which, considered by the Joint Bookrunners in their sole and absolute opinion was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading or deceptive or any expression of opinion, intention or expectation contained in any such document is not, in the sole and absolute opinion of the Joint Bookrunners, honest, when taken as a whole; or
 - (ii) any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus, would have constituted, in the reasonable opinion of the Joint Bookrunners, an omission from the Offer Documents in the context of the Share Offer; or
 - (iii) either (1) there has been a material breach of any of the representations, warranties or undertakings given, or deemed to be repeated by our Company, our executive Directors and our Controlling Shareholders in the Public Offer Underwriting Agreement or any other provisions of the Public Offer Underwriting Agreement by any party thereto (other than the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and the Public Offer Underwriters); or (2) any matter or event showing or rendering any of the said representations, warranties or undertakings contained in the Public Offer Underwriting Agreement, in the sole and absolute opinion of the Joint Bookrunners, to be untrue, incorrect, inaccurate or misleading or deceptive in any material respect when given or repeated; or
 - (iv) any event, act or omission which gives or is likely to give rise to any material liability of our Company or any of our executive Directors or Controlling Shareholders pursuant to the indemnity provisions under the Public Offer Underwriting Agreement or the Public Offer to be performed or implemented as envisaged; or
 - (v) any event, series of events, matter or circumstance occurs or arises on or after the date of the Public Offer Underwriting Agreement and prior to 8:00 a.m. on the Listing Date, being an event, a series of events, matter or circumstance which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties or undertakings given, or deemed to be repeated by our

UNDERWRITING

Company, our executive Directors and our Controlling Shareholders in the Public Offer Underwriting Agreement, in the sole and absolute opinion of the Joint Bookrunners, untrue, incorrect, inaccurate or misleading or deceptive; or

- (vi) approval by the Listing Committee of the listing of, and permission to deal in, our Shares (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme) is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (vii) our Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or
 - (viii) any person (other than the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Offer Documents with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (b) there shall develop, occur, exist, or come into effect:
- (i) any event, or series of events, in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, riots, strikes, calamity, crisis, public disorder, lock-outs (whether or not covered by insurance), fire, explosion, flooding, earthquake, 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, economic sanctions, outbreaks of diseases or epidemics (including but not limited to swine influenza (H1N1 flu), severe acute respiratory syndrome and avian influenza A (H5N1) and other related or mutated form), accidents, interruption or delay in transportation, 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 calamity or crisis in Hong Kong, the BVI, the Cayman Islands, Singapore, Malaysia, Indonesia, U.S., Brunei, Egypt, Australia or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business and/or operation of our Group (the “**Relevant Jurisdictions**”); or
 - (ii) any change or development involving a prospective change, or any event or series of events, matters or circumstances resulting or likely to result in or represent any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, equity securities, credit, market, exchange control, stock market, financial market or other market conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar, or a

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material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting the Relevant Jurisdictions; or

- (iii) any change in the general fund raising environment in the Relevant Jurisdictions; or
- (iv) any new law or regulation or any change or development involving a prospective change in existing laws or regulations, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in the Relevant Jurisdictions; or
- (v) the imposition of economic sanctions or changes in existing economic sanctions, or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, the Relevant Jurisdictions; or
- (vi) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions; or
- (vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” of this prospectus; or
- (viii) any litigation or claim of importance being instigated against any member of our Group or any Director; or
- (ix) an executive Director being charged with an indictable offence involving dishonesty, fraud or which goes towards his integrity or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company; or
- (x) the chairman or chief executive officer of our Company vacating his office; or
- (xi) the commencement by any governmental, judicial, regulatory or political body or organisation of any investigation or other action against a Director or any member of our Group or an announcement by any governmental, judicial, regulatory or political body or organisation that it intends to take any such action; or
- (xii) any contravention by any member of our Group or any Director or any Controlling Shareholder of the Companies Ordinance, the Companies (WUMP) Ordinance, the Companies Law, the Listing Rules, the SFO or any applicable laws, rules, regulations, guidelines, opinions (rules and regulations whether formally published or not), notices, circulars, orders, judgments, decrees or rulings of any court, government, governmental or regulatory authority (including, without limitation, the Stock Exchange and the SFC); or
- (xiii) a prohibition on our Company for whatever reason from offering, allotting and issuing any of the Offer Shares pursuant to the terms of the Public Offer and/or the Share Offer; or

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- (xiv) save as disclosed (as defined in the Public Offer Underwriting Agreement), any non-compliance by any member of our Group or any Director or any Controlling Shareholder of this prospectus (and/or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Public Offer and/or the Share Offer with the Listing Rules or any applicable laws and regulations; or
- (xv) the issue or requirement to issue by our Company of a supplement or amendment to any of the Offer Documents (and/or any other documents used in connection with the issue of the Offer Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the reasonable opinion of the Sole Sponsor and the Joint Bookrunners, adverse to the marketing for or implementation of the Share Offer; or
- (xvi) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xvii) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xviii) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group (including any litigation or claim of material importance being instigated against our Company or any member of our Group); or
- (xix) a petition or order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xx) a disruption in or a general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions; or
- (xxi) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or minimum or maximum prices for trading having been fixed, or minimum or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority,

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which, in each case or in aggregate, in the sole and absolute opinion of the Joint Bookrunners:

- (A) is or may or will be or is likely to be materially adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other conditions or prospects of our Group taken as a whole or any member of our Group or to any present or prospective shareholder in his/its capacity; or
- (B) has or may or will have or is likely to have a material adverse effect on the success or marketability or pricing of the Share Offer or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of the Shares following the Listing; or
- (C) makes or may or will make it inadvisable, inexpedient or impracticable to proceed with or to market the Public Offer and/or the Placing on the terms and in the manner contemplated in the Underwriting Agreements, this prospectus and the Application Forms; or
- (D) has or may or will or is likely to have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Offer Documents and the Public Offer Underwriting Agreement or which prevents or delays the processing of applications and/or payments pursuant to the Public Offer and/or the Share Offer or pursuant to the underwriting thereof.

Indemnity

Our Company, our Controlling Shareholders and our executive Directors, have agreed to indemnify the Public Offer Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company, our Controlling Shareholders and our executive Directors of the Public Offer Underwriting Agreement.

Undertakings to the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Our Company has undertaken irrevocably and unconditionally with the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and the Public Offer Underwriters that, and each of our executive Directors and Controlling Shareholders has jointly and severally undertaken irrevocably and unconditionally with the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and the Public Offer Underwriters to procure that:

- (a) except for the issue of the Shares pursuant to the Share Offer, the Capitalisation Issue, the exercise of the Over-allotment Option, the grant of options under the Share Option Scheme and the issue of Shares on exercise thereof or as otherwise with the prior written consent of the Sole Sponsor and the Joint Bookrunners, and unless in compliance with the Listing Rules, our Company will not, and will procure none of our subsidiaries will, at any time during the

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period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”):

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or, as applicable to our subsidiaries only, repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or securities or interest therein as described in paragraph (i) above; or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or
- (iv) offer to or agree or contract to or publicly announce any intention to enter into any transaction described in paragraph (i), (ii) or (iii) above,

in each case, whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of the Shares or such other securities of our Company, in cash or otherwise (whether or not the issue of the Shares or such other securities of our Company will be completed within the aforesaid period); and

- (b) in the event of our Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Share or other securities of our Company or any interest therein by virtue of the aforesaid exceptions or during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

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Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and the Public Offer Underwriters that, save as pursuant to the Share Option Scheme and the Stock Borrowing Agreement, he/it will not, and will procure that the relevant registered holder(s) and his/its close associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it will not, without the prior written consent of the Sole Sponsor and the Joint Bookrunners and unless in compliance with the Listing Rules:

- (a) at any time during the First Six-Month Period:
 - (i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein; or
 - (iii) enter or agree to enter into, conditionally or unconditionally, or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (i) or (ii) above; or
 - (iv) offer to or agree or contract to or publicly announce any intention to enter into or effect any of the transactions referred to in paragraph (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

- (b) at any time during the Second Six-Month Period, enter into any of the foregoing transactions in paragraph (a)(i) or (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it will cease to be a controlling shareholder (as defined in the Listing Rules) and/or a group of controlling shareholders (as defined in the Listing Rules) of our Company (as the case may be).

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Each of our Controlling Shareholders has jointly and severally undertaken to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and the Public Offer Underwriters that:

- (a) until expiry of the Second Six-Month Period, in the event that he/it enters into any such transactions referred to in paragraph (a) or (b) above or agrees or contracts to or publicly announces an intention to enter into any such transactions by virtue of the aforesaid exceptions, he/it will take all reasonable steps to ensure that such action will not create a disorderly or false market in the Shares or other securities of our Company;
- (b) comply with the requirements of Rule 10.07(1) and Notes (1), (2) and (3) to Rule 10.07(2) of the Listing Rules, to procure that our Company will comply with the requirements under Note (3) of Rule 10.07(2) of the Listing Rules, and comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it and his/its close associates and companies controlled by him/it of any Shares or other securities of our Company; and
- (c) at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling twelve (12) months from the Listing Date, our Controlling Shareholders will:
 - (i) when he/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he/it is the beneficial owner, immediately inform our Company and the Stock Exchange in writing of any such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and
 - (ii) when he/it receives any indication, whether verbal or written, from any such pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Stock Exchange in writing of any such indication.

Our Company has undertaken to the Sole Sponsor, and our executive Directors and our Controlling Shareholders have undertaken to the Sole Sponsor that they will procure our Company to, inform the Stock Exchange as soon as our Company has been informed of the matters mentioned in paragraph (a), (b) or (c) above, and to make a public disclosure of such matters as soon as possible thereafter in accordance with the Listing Rules.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer

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(including the exercise of the Over-allotment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08(1) to (5) of the Listing Rules, which include the grant of options and the issue of Shares pursuant to the Share Option Scheme.

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer (including the exercise of the Over-allotment Option) or unless in compliance with the requirements of the Listing Rules, he/it shall not, and shall procure that the relevant registered holder(s) shall not:

- (a) at any time during 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 or other securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner(s); or
- (b) at any time during 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 securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) and/or a group of controlling shareholders (as defined in the Listing Rules) of our Company (as the case may be).

Our Controlling Shareholders have further undertaken to the Stock Exchange and our Company that, 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 12 months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any Shares or other securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or other securities of our Company will be disposed of, immediately inform our Company of such indications.

Placing

In connection with the Placing, it is expected that our Company and the covenantors to be named therein (namely our Controlling Shareholders and our executive Directors) will enter into the Placing Underwriting Agreement with inter alia, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

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Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to act as agents of our Company to procure subscribers for the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in “— Underwriting arrangements and expenses — Public Offer — Undertakings to the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement”.

Commission and expenses

The Public Offer Underwriters will receive a commission of 12.0% of the aggregate Offer Price payable for the Public Offer Shares actually underwritten by them. The Public Offer Underwriters will not receive any underwriting commission.

The underwriting commission, documentation and advisory fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer, assuming an Offer Price of HK\$0.70 (being the mid-point of the indicative Offer Price range), are estimated to amount to approximately HK\$49.1 million in total (assuming the Over-allotment Option is not exercised), and are payable by our Company.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

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 8.08 of the Listing Rules after completion of the Share Offer.

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THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. Lego Corporate Finance is the Sole Sponsor for the listing of the Shares on the Stock Exchange.

The Share Offer comprises:

- the Public Offer of 20,000,000 Shares, subject to reallocation as mentioned below, for subscription by the public in Hong Kong as described in “— Public Offer” in this section ; and
- the Placing of 180,000,000 Shares, subject to reallocation and the Over-allotment Option as mentioned below, with selected professional, institutional and other investors as described in “— Placing” in this section.

Up to 30,000,000 additional Shares may be offered pursuant to the exercise of the Over-allotment Option as set forth in the paragraph headed “Over-allotment Option” in this section.

Investors may apply for our Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for our Placing Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject: (a) applications in the Public Offer from investors who have applied for Offer Shares under the Placing; and (b) applications or indications of interest in the Placing from investors who have applied for Offer Shares under the Public Offer.

The Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and other investors. The Placing will involve selective marketing of our Placing Shares to institutional and professional investors and other investors outside the United States in reliance on Regulation S. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring our Placing Shares in the Placing. Prospective investors will be required to specify the number of Placing Shares they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Share Offer respectively may be subject to reallocation and, in the case of the Placing only, the Over-allotment Option as set out in the paragraph headed “Over-allotment Option” in this section. References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate only to the Public Offer.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$0.75 per Offer Share and is expected to be not less than HK\$0.65 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below.

STRUCTURE AND CONDITIONS OF THE SHARE 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.

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$0.75 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,030.23 for one board lot of 4,000 Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.75, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. For further details, please refer to the section headed “How to Apply for the Public Offer Shares — 12. Refund of application monies” of this prospectus.

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring our Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on the Price Determination Date.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Friday, 11 October 2019, and in any event no later than Monday, 21 October 2019.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on Monday, 21 October 2019, the Share Offer will not become unconditional and will lapse immediately.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners (for themselves and on behalf of the Underwriters) consider it appropriate and together with the consent of our Company, the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time not later than the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the website of our Company at www.snackemp.com and the website of the Stock Exchange at www.hkexnews.hk notice of reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range. Upon issue of such notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” of this prospectus and any other financial information which may change as a result of such reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change and, where appropriate, extend the period under which the Public Offer was open for acceptance. In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

If you have already submitted an application for the Public Offer Shares before the last day for lodging applications under the Public Offer, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants 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.

In the event of a reduction in the number of the Offer Shares, ChaoShang Securities may, at its discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings solely in the sole discretion of ChaoShang Securities.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares 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.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the sole discretion of ChaoShang Securities.

Allocation of the Offer Shares pursuant to the Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares after Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of our 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. The allocation of Public Offer Shares

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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.

Announcement of final Offer Price and basis of allocations

The final Offer Price, the level of indications of interest in the Placing, the level of applications under the Public Offer and the basis of allocations of the Public Offer Shares are expected to be announced on Tuesday, 22 October 2019 on the website of our Company at www.snackemp.com and the website of the Stock Exchange at www.hkexnews.hk.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC, will be made available through a variety of channels as described in the section headed “How to Apply for the Public Offer Shares — 10. Publication of results” of this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares pursuant to the Share Offer will be conditional upon, among other things:

- (a) the Listing Committee granting the approval of 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 and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed on the Price Determination Date;
- (c) the execution and delivery of the Underwriting Agreements in accordance with their respective terms; and
- (d) the obligations of the Underwriters under each of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions (save for certain exceptions) by ChaoShang Securities (for itself and on behalf of the Underwriters)) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than 30 days after the date of this prospectus.

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 immediately and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Public Offer on the next Business Day following such lapse on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.snackemp.com. In the event of such lapse, all application monies will be returned, without interest, on the terms set out in "How to Apply for the Public Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance.

Share certificates for the Offer Shares are expected to be issued on Tuesday, 22 October 2019 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 23 October 2019 provided that: (a) the Share Offer has become unconditional in all respects; and (b) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" of this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

PUBLIC OFFER

The Public Offer is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. The Public Offer and the Placing are subject to the conditions set out in "— Conditions of the Share Offer" in this section. The Public Offer Underwriting Agreement and the Placing Underwriting Agreement shall be conditional upon each other.

Number of Offer Shares initially offered

Our Company is initially offering 20,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Share Offer (subject to reallocation and assuming that the Over-allotment Option is not exercised). Subject to any reallocation of Offer Shares between the Public Offer and the Placing, the number of Public Offer Shares will represent 2.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and the Share Offer, assuming that the Over-allotment Option is not exercised. Completion of the Public Offer is subject to the conditions set out in the paragraph headed "Conditions of the Share Offer" in this section. The Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and other investors. Professional investors generally include brokers, dealers companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation

Allocation of Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

For allocation purposes only, the Public Offer Shares being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools (subject to adjustment of odd lot size): pool A and pool B.

Pool A will comprise 10,000,000 Public Offer Shares and pool B will comprise 10,000,000 Public Offer Shares initially, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage of 1%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee 0.005%) of HK\$5 million or below will fall into pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage of 1%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee 0.005%) of over HK\$5 million and up to the total value of pool B will fall into pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only apply for Public Offer Shares from either pool A or pool B but not from both pools and can only receive Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools will be rejected.

No application will be accepted from applicants for more than 10,000,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation. A clawback mechanism will be put in place, which would have the effect of increasing the number of Public Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached.

- (a) In the event that the Placing Shares are fully subscribed or oversubscribed under the Placing:
 - (i) if the Public Offer Shares are undersubscribed, ChaoShang Securities (for itself and on behalf of the Public Offer Underwriters), at its sole and absolute discretion, may reallocate all or any of the unsubscribed Public Offer Shares from the Public Offer to the Placing;
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed and the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of Offer Shares initially available for subscription under the Public Offer, then up to 20,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 40,000,000 Offer Shares, representing 20% of the total number of Offer Shares initially available for subscription under the Share Offer;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 60,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
 - (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 80,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 100,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.
- (b) In the event that the Placing Shares are undersubscribed under the Placing:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer shall not proceed unless fully underwritten by the Underwriters pursuant to the Underwriting Agreements; and
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then up to 20,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 40,000,000 Offer Shares, representing 20% of the total number of Offer Shares initially available for subscription under the Share Offer.

In all cases, the number of the Public Offer Shares allocated to the Placing will be correspondingly reduced.

In addition, 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 sole discretion of ChaoShang Securities. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is conducted other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Public Offer shall be not more than 40,000,000 Offer Shares, representing double of the initial allocation to the Public Offer and the final Offer Price shall be fixed at HK\$0.65 per Offer Share, the low-end of the Offer Price range stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of any reallocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Tuesday, 22 October 2019.

If the Public Offer is not fully subscribed for, ChaoShang Securities (for itself and on behalf of the Public Offer Underwriters) has the authority to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as it deem appropriate to satisfy demand under the Placing.

Applications

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered 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 for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not 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 (including conditionally and/or provisionally) Offer Shares under the Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$0.75 per Offer Share in addition to any brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% payable on each Offer Share, amounting to a total of HK\$3,030.23 for one board lot of 4,000 Shares. If the Offer Price, as finally determined in the manner in the paragraph headed "Pricing and allocation — Determining the Offer Price" in this section, is less than the maximum price of HK\$0.75 per Share, appropriate refund payments (including the brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Please refer to the section headed "How to Apply for the Public Offer Shares" of this prospectus for further details. References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Public Offer.

PLACING

The Placing is expected to be fully underwritten by the Placing Underwriters on a several basis. Our Company expects to enter into the Placing Underwriting Agreement relating to the Placing on the Price Determination Date.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Number of Placing Shares initially offered

The number of Offer Shares to be initially offered for subscription by our Company under the Placing will be 180,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer (subject to reallocation and assuming that the Over-allotment Option is not exercised). Subject to any reallocation of Offer Shares between the Placing and the Public Offer, the number of Placing Shares will represent 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and the Share Offer, assuming that the Over-allotment Option is not exercised. The Placing is subject to the same conditions set out in the paragraph headed "Conditions of the Share Offer" in this section.

Allocation

The Placing will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

The Placing Shares will be allocated in accordance with the book-building process described in the paragraph headed "Pricing and allocation — Determining the Offer Price" in this section, and is based on several factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing. Such allocation is intended to achieve a distribution of the Shares that would allow for the establishment of a solid professional and institutional shareholder base which will be beneficial to our Company and our Shareholders as a whole.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered 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 for Shares under the Public Offer.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, our Company is expected to grant the Over-allotment Option to the Placing Underwriters exercisable at the sole discretion of the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters). Pursuant to the Over-allotment Option, the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) have the right, exercisable at anytime from the Listing Date until the 30th day after the last day for lodging application under the Public Offer, to require our Company to allot and issue up to 30,000,000 additional Shares, representing 15% of the Offer Shares initially offered under the Share Offer, at the Offer Price, to cover over-allocation in the Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our Company's enlarged issued share capital immediately following the completion of the Capitalisation Issue and the Share Offer and the exercise of the Over-allotment

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Option (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). In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the requirements of the Listing Rules.

STABILISATION ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time to minimise and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activities aimed at reducing the market price are prohibited and the price at which stabilisation is carried out is not permitted to exceed the Offer Price.

We have appointed ChaoShang Securities as the Stabilising Manager for the purposes of the Share Offer in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). In connection with the Share Offer, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or carry out transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date and expected to end on the 30th day from the last day for lodging applications under the Public Offer. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Any market purchase of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising activity, which if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time. Any such stabilising activity must cease on the 30th day after the last day for lodging applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 30,000,000 additional Shares in aggregate, which represents 15% of the Offer Shares initially offered under the Share Offer.

The types of stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) include:

- (a) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares;
- (b) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares;
- (c) purchasing, or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (e) selling, or agreeing to sell, our Shares in order to liquidate any position established as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) or (e) above.

The Stabilising Manager, its affiliates or any person acting for it, may take all or any of the above stabilising actions in Hong Kong during the stabilisation period. Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for them, which may have an adverse impact on the market price of the Shares;
- (b) stabilising action cannot be used to support the price of the Shares for longer than the stabilising period, which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day from the last date for lodging applications under the Public Offer. After this date, no further stabilising action may be taken, and therefore the demand for the Shares as well as the price of the Shares, could fall;
- (c) there is no assurance that the price of the Shares will stay at or above the Offer Price either during or after the stabilising period by taking any stabilising action; and
- (d) stabilising bids may be made or transactions carried out in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions carried out at a price below the price paid by applicants or investors for the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilising period.

In connection with the Share Offer, the Joint Bookrunners may over-allocate up to and not more than an aggregate of 30,000,000 additional Shares and cover such over-allocation by (a) exercising the Over-allotment Option, which will be exercisable by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) at their sole discretion; or (b) by making purchases in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement or a combination of these means.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocation in connection with the Placing, the Stabilising Manager may choose to borrow up to 30,000,000 Shares from Brilliant Stride pursuant to the Stock Borrowing Agreement. If such Stock Borrowing Agreement is entered into, it will comply with the requirements set forth in Rule 10.07(3) of the Listing Rules and thus not subject to the restrictions of Rule 10.07(1) of the Listing Rules, and it will only be effected by the Stabilising Manager for settlement of over-allocation in the Placing.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposits, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Stock Exchange Participants is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advice for details of these settlement arrangement and how such arrangements will affect their rights and interests.

DEALINGS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. (Hong Kong time) on Wednesday, 23 October 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 23 October 2019. The Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares is 1843.

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, ChaoShang Securities and their respectively 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 ChaoShang Securities may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the 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 of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- a connected person (as respectively defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- an associate (as respectively defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in 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 CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 September 2019 until 12:00 noon Tuesday, 8 October 2019 from:

- (a) any of the following addresses of the Public Offer Underwriters:

ChaoShang Securities Limited	Rooms 2206–2210, 22nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Lego Securities Limited	Room 301, 3/F, China Building, 29 Queen's Road Central, Central, Hong Kong
Alpha Financial Group Limited	Room A, 17th Floor Fortune House 61 Connaught Road Central Central, Hong Kong
Excellent Success Investments Limited	22nd Floor, China Overseas Building 139 Hennessy Road Wanchai Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Head & Shoulders Securities Limited	Room 2511, 25th Floor Cosco Tower 183 Queen's Road Central Hong Kong
Paragon Securities Limited	Unit 7, 11th Floor Emperor Group Centre 288 Hennessy Road Wan Chai, Hong Kong
Solomon JFZ (Asia) Holdings Limited	19A, 19th Floor Eton Building 288 Des Voeux Road Central Central, Hong Kong
ZACD Financial Group Limited	Unit 1610, Level 16 Man Yee Building 60–68 Des Voeux Road Central Central, Hong Kong

(b) any of the branches of DBS Bank (Hong Kong) Limited:

District	Branch Name	Branch address
Hong Kong Island	Queen's Road East — DBS Treasures Centre	Shop A, G/F, Jonsim Place 228 Queen's Road East Wanchai
	United Centre Branch	Shops 1015–1018 on 1/F & Shops 2032–2034 on 2/F United Centre 95 Queensway Admiralty
	Happy Valley Branch	G/F, 18A–22 King Kwong Street, Happy Valley
Kowloon	Mei Foo Branch	Shops N26A & N26B Stage V Mei Foo Sun Chuen 10 & 12 Nassau Street
New Territories	Ma On Shan Branch	Shop 205–206, Level 2 Ma On Shan Plaza Ma On Shan

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 September 2019 until 12:00 noon on Tuesday, 8 October 2019 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 "**Ting Hong Nominees Limited — Snack Empire 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:

- Monday, 30 September 2019 — 9:00 a.m. to 5:00 p.m.
- Wednesday, 2 October 2019 — 9:00 a.m. to 5:00 p.m.
- Thursday, 3 October 2019 — 9:00 a.m. to 5:00 p.m.
- Friday, 4 October 2019 — 9:00 a.m. to 5:00 p.m.
- Saturday, 5 October 2019 — 9:00 a.m. to 1:00 p.m.
- Tuesday, 8 October 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 8 October 2019, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the application lists" in this section.

The application for the Public Offer will commence on Monday, 30 September 2019 through Tuesday, 8 October 2019, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, 22 October 2019. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 23 October 2019.

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:

- (a) 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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (b) agree to comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association;
- (c) 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;
- (d) 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;
- (e) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (f) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers, representatives 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);
- (g) 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;
- (h) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Underwriters and/or their respective directors, officers, agents, employees, advisers and representatives any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) 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, the Co-lead Managers and the Underwriters nor any of their respective directors, officers, agents, employees, or advisers, representatives 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;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed and construed in accordance the laws of Hong Kong;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (l) 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;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Public Offer Shares applied for, or any lesser number of such Shares allocated to you under the application;
- (o) 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 fulfilled the criteria mentioned in "—13. Despatch/collection of Share certificates and refund monies — Personal collection" to collect the Share certificate(s) and/or refund cheque(s) in person;
- (p) 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;
- (q) 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;
- (r) (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
- (s) (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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square, 8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) 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;
- (b) HKSCC Nominees will do the following things on your behalf:
 - (i) 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 to your CCASS Investor Participant's stock account on your behalf or the stock account of your designated CCASS participant;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ii) agree to accept the Public Offer Shares applied for or any lesser number allocated;
- (iii) 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;
- (iv) (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;
- (v) (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;
- (vi) 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;
- (vii) 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;
- (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (ix) 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;
- (x) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-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);
- (xi) agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;
- (xii) 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;
- (xiii) 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

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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;

- (xiv) 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;
- (xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;
- (xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association; and
- (xvii) 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

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Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Monday, 30 September 2019 — 9:00 a.m. to 8:30 p.m.
- Wednesday, 2 October 2019 — 8:00 a.m. to 8:30 p.m.
- Thursday, 3 October 2019 — 8:00 a.m. to 8:30 p.m.
- Friday, 4 October 2019 — 8:00 a.m. to 8:30 p.m.
- Saturday 5 October 2019 — 8:00 a.m. to 1:00 p.m.
- Tuesday, 8 October 2019 — 8:00 a.m. to 12:00 noon

⁽¹⁾ These times are subject to change as HKSCC may determine, from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 30 September 2019 until 12:00 noon on Tuesday, 8 October 2019 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 8 October 2019, the last application day or such later time as described in the paragraph 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**

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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).

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, receiving bank, the Joint Bookrunners, 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 and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 8 October 2019.

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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

“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 4,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details of the Offer Price, please refer to the section headed “Structure of the Share Offer — Pricing and allocation” of 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,
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 8 October 2019. 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 or Extreme Conditions 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 Tuesday, 8 October 2019 or if there is a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” of this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.snackemp.com.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.snackemp.com no later than 9:00 a.m. on Tuesday, 22 October 2019;
- from the designated results of allocations website at www.ewhiteform.com.hk/results with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Tuesday, 22 October 2019 to 12:00 midnight on Tuesday, 29 October 2019;
- by telephone enquiry line by calling +852 2153 1688 between 9:00 a.m. and 6:00 p.m. from Tuesday, 22 October 2019 to Tuesday, 29 October 2019 (excluding Saturday, Sunday and Public Holiday); and
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 22 October 2019 to Monday, 28 October 2019 at all the receiving bank designated branches and sub-branches of the receiving banks.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Please refer to the section headed “Structure and Conditions of the Share Offer” of this prospectus for further details.

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:

(a) 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.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, ChaoShang Securities 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(c) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list our 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.

(d) 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 ChaoShang Securities believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- you apply for more than 50% of the Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.75 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 of the Share Offer — Conditions of the Share Offer" of 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 or before Tuesday, 22 October 2019.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 our Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our 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 before Tuesday, 22 October 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 23 October 2019 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” of this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

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) and/or Share certificate(s) from Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Tuesday, 22 October 2019, or such other date as notified by us on the website of our Company at www.snackemp.com or the Stock Exchange at www.hkexnews.hk as the date of despatch/ collection of Share certificates/refund cheques.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, 22 October 2019 by ordinary post and at your own risk.

If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Tuesday, 22 October 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participants stock account as stated in your Application Form on Tuesday, 22 October 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph "— 10. Publication of Results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 22 October 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 22 October 2019 or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in “— 10. Publication of Results” in this section above on Tuesday, 22 October 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 22 October 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's “An Operating Guide for Investor Participants” in effect from time to time) on Tuesday, 22 October 2019. 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 Tuesday, 22 October 2019.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the Listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SNACK EMPIRE HOLDINGS LIMITED AND LEGO CORPORATE FINANCE LIMITED

Introduction

We report on the historical financial information of Snack Empire Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-49, which comprises the combined statements of financial position as at 31 March 2017, 2018 and 2019, the Company's statements of financial position as at 31 March 2018 and 2019, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-49 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 September 2019 (the "Prospectus") in connection with the share offer of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 March 2018 and 2019, and the combined financial position of the Group as at 31 March 2017, 2018 and 2019, and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Note 1.3 and 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 27 to the Historical Financial Information which contains information about the dividends declared by companies comprising the Group in respect of the Track Record Period and no dividends have been paid by Snack Empire Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, *30 September 2019*

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers, in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Singapore Dollar and all values are rounded to the nearest thousand ("S\$'000") except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 March		
		2017 S\$'000	2018 S\$'000	2019 S\$'000
Revenue	6	15,735	18,581	21,325
Cost of sales	9	<u>(7,077)</u>	<u>(7,620)</u>	<u>(8,701)</u>
Gross profit		8,658	10,961	12,624
Other income	7	139	174	258
Other losses	8	(175)	(33)	(17)
Selling and distribution expenses	9	(3,087)	(3,942)	(4,294)
Administrative expenses	9	(2,239)	(3,424)	(5,291)
Finance income/(cost) — net	11	<u>91</u>	<u>49</u>	<u>(16)</u>
Profit before income tax		3,387	3,785	3,264
Income tax expense	12	<u>(250)</u>	<u>(656)</u>	<u>(1,000)</u>
Profit for the year attributable to equity holders of the Company		<u>3,137</u>	<u>3,129</u>	<u>2,264</u>
Other comprehensive (loss)/income				
<i>Item that will be reclassified subsequently to profit or loss</i>				
Currency translation differences arising from translation of foreign operations		<u>(120)</u>	<u>117</u>	<u>(54)</u>
		<u>(120)</u>	<u>117</u>	<u>(54)</u>
Total comprehensive income for the year attributable to equity holders of the Company		<u><u>3,017</u></u>	<u><u>3,246</u></u>	<u><u>2,210</u></u>
Earnings per share for profit attributable to equity holders of the Company				
Basic and diluted (S\$ cents)	13	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 March		
		2017 S\$'000	2018 S\$'000	2019 S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	14	108	405	3,820
Prepayments	18	—	139	—
		<u>108</u>	<u>544</u>	<u>3,820</u>
Current assets				
Inventories	16	526	924	811
Trade and other receivables and prepayments	18	2,190	1,722	3,900
Cash and cash equivalents	19	8,035	4,057	4,263
		<u>10,751</u>	<u>6,703</u>	<u>8,974</u>
Total assets		<u><u>10,859</u></u>	<u><u>7,247</u></u>	<u><u>12,794</u></u>
EQUITY AND LIABILITIES				
Equity				
Combined capital	21	474	474	1,400
Reserves	20	2,819	2,697	2,630
Equity attributable to equity holders of the Company		<u><u>3,293</u></u>	<u><u>3,171</u></u>	<u><u>4,030</u></u>
LIABILITIES				
Current liabilities				
Trade and other payables	23	5,379	2,440	4,333
Borrowings	24	—	—	83
Provisions	25	74	71	103
Deferred revenue	26	599	451	361
Current income tax liabilities		509	278	569
		<u>6,561</u>	<u>3,240</u>	<u>5,449</u>
Non-current liabilities				
Deferred revenue	26	998	823	860
Deferred tax liabilities	17	7	13	15
Borrowings	24	—	—	2,440
		<u>1,005</u>	<u>836</u>	<u>3,315</u>
Total liabilities		<u><u>7,566</u></u>	<u><u>4,076</u></u>	<u><u>8,764</u></u>
Total equity and liabilities		<u><u>10,859</u></u>	<u><u>7,247</u></u>	<u><u>12,794</u></u>

COMPANY STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 March	
		2018 S\$'000	2019 S\$'000
ASSETS			
Current assets			
Other receivables		53	141
Prepayments	18	<u>312</u>	<u>1,965</u>
Total assets		<u><u>365</u></u>	<u><u>2,106</u></u>
EQUITY AND LIABILITIES			
Capital and reserve attributable to equity holders of the Company			
Share capital	21	—*	—*
Reserves	22	<u>(950)</u>	<u>(3,632)</u>
Total deficit		<u><u>(950)</u></u>	<u><u>(3,632)</u></u>
LIABILITIES			
Current liabilities			
Other payables	23	<u>1,315</u>	<u>5,738</u>
Total liabilities		<u><u>1,315</u></u>	<u><u>5,738</u></u>
Total equity and liabilities		<u><u>365</u></u>	<u><u>2,106</u></u>

* Amounts less than S\$1,000

COMBINED STATEMENTS OF CHANGES IN EQUITY

Group	Note	Attributable to equity holders of the Company			
		Combined capital S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Total S\$'000
As at 1 April 2016		474	(147)	4,089	4,416
Profit for the year		—	—	3,137	3,137
Other comprehensive loss for the year		—	(120)	—	(120)
Total comprehensive (loss)/income for the year		<u>—</u>	<u>(120)</u>	<u>3,137</u>	<u>3,017</u>
Dividends declared in respect of current financial year	27	—	—	(4,140)	(4,140)
Total transactions with equity holders, recognised directly in equity		<u>—</u>	<u>—</u>	<u>(4,140)</u>	<u>(4,140)</u>
As at 31 March 2017		<u>474</u>	<u>(267)</u>	<u>3,086</u>	<u>3,293</u>

	Note	Attributable to equity holders of the Company			
		Combined capital S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Total S\$'000
As at 1 April 2017		474	(267)	3,086	3,293
Profit for the year		—	—	3,129	3,129
Other comprehensive income for the year		—	117	—	117
Total comprehensive income for the year		<u>—</u>	<u>117</u>	<u>3,129</u>	<u>3,246</u>
Dividends declared in respect of current financial year	27	—	—	(3,368)	(3,368)
Total transactions with equity holders, recognised directly in equity		<u>—</u>	<u>—</u>	<u>(3,368)</u>	<u>(3,368)</u>
As at 31 March 2018		<u>474</u>	<u>(150)</u>	<u>2,847</u>	<u>3,171</u>

	Note	Attributable to equity holders of the Company				Total S\$'000
		Combined capital S\$'000	Other reserves S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	
As at 1 April 2018		474	—	(150)	2,847	3,171
Profit for the year		—	—	—	2,264	2,264
Other comprehensive loss for the year		—	—	(54)	—	(54)
Total comprehensive (loss)/income for the year		<u>—</u>	<u>—</u>	<u>(54)</u>	<u>2,264</u>	<u>2,210</u>
Restructuring of certain Operating Companies	1.2 (f)	926	(1,139)	—	—	(213)
Dividends declared in respect of current financial year	27	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,138)</u>	<u>(1,138)</u>
Total transactions with equity holders, recognised directly in equity		<u>926</u>	<u>(1,139)</u>	<u>—</u>	<u>(1,138)</u>	<u>(1,351)</u>
As at 31 March 2019		<u><u>1,400</u></u>	<u><u>(1,139)</u></u>	<u><u>(204)</u></u>	<u><u>3,973</u></u>	<u><u>4,030</u></u>

COMBINED STATEMENTS OF CASH FLOWS

	<i>Note</i>	Year ended 31 March		
		2017	2018	2019
		S\$'000	S\$'000	S\$'000
Cash flow from operating activities				
Profit before income tax		3,387	3,785	3,264
Adjustments for:				
— Depreciation of property, plant and equipment		34	82	148
— Write-off of property, plant and equipment		5	—	15
— Interest income		(91)	(49)	(24)
— Interest expense		—	—	40
		<u>3,335</u>	<u>3,818</u>	<u>3,443</u>
Operating profit before working capital changes		3,335	3,818	3,443
Changes in working capital:				
— Inventories		(110)	(398)	113
— Trade and other receivables and prepayments		(385)	634	(2,178)
— Trade and other payables, including provisions		550	317	1,732
— Deferred revenue		17	(323)	(53)
		<u>3,407</u>	<u>4,048</u>	<u>3,057</u>
Cash generated from operations		3,407	4,048	3,057
Income tax paid		<u>(153)</u>	<u>(881)</u>	<u>(707)</u>
		<u>3,254</u>	<u>3,167</u>	<u>2,350</u>
Net cash generated from operating activities		3,254	3,167	2,350
Cash flows from investing activities				
Purchase of property, plant and equipment	28	(51)	(509)	(3,443)
Interest received		91	49	24
		<u>40</u>	<u>(460)</u>	<u>(3,419)</u>
Net cash generated from/(used in) investing activities		40	(460)	(3,419)

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Year ended 31 March		
		2017 S\$'000	2018 S\$'000	2019 S\$'000
Cash flows from financing activities				
Issuance of new shares of certain operating companies		—	—	270
Restructuring of certain operating companies	1.2(f)	—	—	(483)
Proceed from borrowings		—	—	2,600
Repayment of borrowings		—	—	(77)
Interest paid		—	—	(40)
Dividends paid		(1,460)	(6,837)	(1,138)
Proceeds from amount due to a director		—	—	1,182
Listing expenses		—	(166)	(988)
Net cash (used in)/generated from financing activities		<u>(1,460)</u>	<u>(7,003)</u>	<u>1,326</u>
Net increase/(decrease) in cash and cash equivalents		1,834	(4,296)	257
Cash and cash equivalents at beginning of the year		6,488	8,035	4,057
Exchange (losses)/gains on cash and cash equivalents		<u>(287)</u>	<u>318</u>	<u>(51)</u>
Cash and cash equivalents at end of the year	19	<u>8,035</u>	<u>4,057</u>	<u>4,263</u>

Reconciliation of liabilities arising from financing activities

	As at 1 April 2018 S\$'000	Proceeds S\$'000	Principal and interest repayment S\$'000	Accrued interest S\$'000	As at 31 March 2019 S\$'000
Amount due to director	—	1,182	—	—	1,182
Borrowings	—	2,600	(117)	40	2,523

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION****1.1 General information**

Snack Empire Holdings Limited (the "Company") was incorporated on 2 February 2018 in the Cayman Islands as an exempted company with limited liability under Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries, as outlined in Note 1.2 (collectively, the "Group"), are principally engaged in wholesale and retail of food and beverages (the "Listing Businesses"). The ultimate holding company of the Company is Brilliant Stride Limited. The ultimate controlling parties of the Group are Mr. Daniel Tay Kok Siong ("Daniel Tay") and Mr. Wong Chee Tat ("Melvyn Wong") (collectively, the "Controlling Shareholders").

1.2 Reorganisation

Prior to the incorporation of the Company and completion of the Reorganisation (the "Reorganisation") as described below, the Listing Businesses were carried out by The STSS Company Pte. Ltd., Shihlin Taiwan Street Snacks (HM) Pte. Ltd., Umami Concepts Pte. Ltd., STSS Resources Pte. Ltd., Shihlin Taiwan Street Snacks (313) Pte. Ltd., STSS Integrated Pte. Ltd., Shihlin Taiwan Street Snacks (JP) Pte. Ltd., Shihlin Taiwan Street Snacks (TM) Pte. Ltd., Shihlin Taiwan Street Snacks (HF) Pte. Ltd., Shihlin Taiwan Street Snacks (NP) Pte. Ltd., STSS (1U) Sdn. Bhd., STSS Concepts Sdn. Bhd., STSS Resources Sdn. Bhd., Interactivemedia AD and STSS IP Pte. Ltd., (collectively, the "Operating Companies"). These Operating Companies were jointly and directly owned by the Controlling Shareholders save for Interactivemedia AD which was owned by the STSS Company Pte. Ltd. prior to the Reorganisation.

For the purpose of listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "SEHK"), the Group underwent the Reorganisation, pursuant to which the Operating Companies engaged in the Listing Businesses were transferred to Clever Steed Limited ("Clever Steed"), a subsidiary which is directly held and wholly owned by the Company after the Reorganisation. The Reorganisation principally involved the following:

- (a) On 21 November 2017, Brilliant Stride Limited was incorporated in the British Virgin Islands ("BVI") with limited liability. The Controlling Shareholders each subscribed for, and Brilliant Stride Limited allotted and issued to each of them one (1) share at par in Brilliant Stride Limited, all credited as fully paid.
- (b) On 22 November 2017, Clever Steed was incorporated in the BVI with limited liability. Brilliant Stride Limited subscribed for, and Clever Steed Limited allotted and issued one share to Brilliant Stride Limited at par.
- (c) The Company was incorporated in the Cayman Islands with limited liability on 2 February 2018 and the initial Share was transferred to Brilliant Stride Limited on the same date at nil consideration.
- (d) On 25 February 2018, Interactivemedia AD filed a notice of cessation of business and ceased registration notice since 26 February 2018. The assets and liabilities of Interactivemedia AD had been transferred to The STSS Company Pte. Ltd. on the same date.
- (e) On 19 April 2018, STSS Resources Sdn. Bhd allotted 999,998 shares to the STSS Concepts Sdn. Bhd., amounting to RM999,998 (S\$337,600) all credited and fully paid.

On 2 May 2018, the Controlling Shareholders transferred all their entire shareholding interests in the STSS Resources Sdn. Bhd. to STSS Concepts Sdn. Bhd for a consideration of RM5 (S\$2) which had been fully settled by cash.

As a result, STSS Resources Sdn. Bhd. become a direct wholly-owned subsidiary of STSS Concepts Sdn. Bhd..

- (f) On 19 April 2018, STSS Concepts Sdn. Bhd. allotted 800,000 shares to the Controlling Shareholders, amounting to RM800,000 (S\$270,160) all credited and fully paid.

On 3 May 2018, the Controlling Shareholders transferred all their entire shareholding interests in the STSS Concepts Sdn. Bhd. to The STSS Company Pte. Ltd. for a consideration of RM4,371,578.54 (S\$1,482,695), of which part of the consideration is settled through allotment of 1,000,000 shares of STSS Company Pte. Ltd. to the Controlling Shareholders amounting to S\$1,000,000. The remaining consideration of S\$482,695 to the Controlling Shareholders was settled by cash.

As a result of the series of transactions above, STSS Concepts Sdn. Bhd. become a direct wholly-owned subsidiary of The STSS Company Pte. Ltd..

- (g) On 16 September 2019, the Controlling Shareholders and Clever Steed entered into various sale and purchase agreements, pursuant to which, the Controlling Shareholders transferred all their entire shareholding or interests in the Operating Companies to Clever Steed. The consideration was settled by Clever Steed allotting and issuing one (1) share in its share capital to Brilliant Stride Limited (as the nominee for Mr. Wong and Mr. Tay), credited as fully paid, for each of the transfer at the direction of the Controlling Shareholders.
- (h) On 23 September 2019, Brilliant Stride Limited, the Controlling Shareholders and the Company entered into a sale and purchase agreement, pursuant to which, Brilliant Stride Limited transferred its entire shareholding interest in Clever Steed to the Company. The consideration was settled by the Company allotting and issuing 99 shares in its share capital to Brilliant Stride Limited credited as fully paid and crediting the initial Share held by Brilliant Stride Limited as fully paid.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in all of the following subsidiaries:

Name	Principal activities	Country of business/ incorporation	Date of incorporation	Issued and paid up capital	Effective interest held by the Group as at			Effective interest held
					31 March	2019	as at the date of this report	
					2017	2018	2019	
					%	%	%	%
Directly held by the Company								
Clever Steed Limited ³	Investment holding	British Virgin Islands	22 November 2017	US\$1	—	100	100	100
Indirectly held by the Company								
The STSS Company Pte. Ltd. ¹	Retail of food and beverage and franchising	Singapore	4 June 2003	S\$1,200,000	100	100	100	100
Shihlin Taiwan Street Snacks (HM) Pte. Ltd. ¹	Retail of food and beverage	Singapore	11 January 2005	S\$100,000	100	100	100	100
Umami Concepts Pte. Ltd. ¹	Wholesale and retail of food and beverage	Singapore	18 October 2005	S\$100,100	100	100	100	100
STSS Resources Pte. Ltd. ¹	Wholesale of food and beverage	Singapore	1 December 2005	S\$1	100	100	100	100
Shihlin Taiwan Street Snacks (313) Pte. Ltd. ¹	Retail of food and beverage	Singapore	1 December 2005	S\$1	100	100	100	100
STSS Integrated Pte. Ltd. ¹	Wholesale of food and beverage	Singapore	7 November 2007	S\$1	100	100	100	100
Shihlin Taiwan Street Snacks (JP) Pte. Ltd. ¹	Retail of food and beverage	Singapore	15 December 2011	S\$1	100	100	100	100

Name	Principal activities	Country of business/ incorporation	Date of incorporation	Issued and paid up capital	Effective interest held by the Group as at 31 March			Effective interest held by the Group as at the date of this report
					2017 %	2018 %	2019 %	%
Shihlin Taiwan Street Snacks (TM) Pte. Ltd. ¹	Retail of food and beverage	Singapore	26 June 2012	SS1	100	100	100	100
Shihlin Taiwan Street Snacks (HF) Pte. Ltd. ¹	Retail of food and beverage	Singapore	1 April 2013	SS1	100	100	100	100
Shihlin Taiwan Street Snacks (NP) Pte. Ltd. ¹	Retail of food and beverage	Singapore	22 June 2015	SS1	100	100	100	100
STSS (IU) Sdn. Bhd. ²	Retail of food and beverage	Malaysia	29 June 2017	RM2	100	100	100	—
STSS Resources Sdn. Bhd. ²	Wholesale of food and beverage	Malaysia	13 July 2012	RM1,000,000	100	100	100	100
Interactivemedia AD ¹	Advertising activities	Singapore	20 March 1999	NA	100	—	—	—
STSS IP Pte. Ltd. ¹	Licensing of intellectual properties	Singapore	25 February 2018	SS1	—	100	100	100
STSS Concepts Sdn. Bhd. ²	Retail of food and beverage	Malaysia	20 June 2008	RM1,000,000	100	100	100	100

¹ No audited financial statements have been issued for these entities as they are exempted from the statutory audit requirement in Singapore.

² The statutory financial statements for the financial years ended 31 March 2017 and 31 March 2018 were audited by OKL & Partners PLT, Malaysia. Up to the date of this report, the audited financial statements of these companies for the year ended 31 March 2019 are yet to be issued.

³ No audited financial statements have been prepared for this entity as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Businesses are conducted through the Operating Companies as outlined in Note 1.2. Pursuant to the Reorganisation, Clever Steed became a wholly owned subsidiary of the Company and the Listing Businesses are wholly held by Clever Steed. The Company and Clever Steed have not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Businesses with no change in management of such business and the ultimate owners of the Listing Businesses under the operating companies remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Businesses under the Operating Companies and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the combined financial statements of the Group, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Businesses under the combined financial statements of the Group for all years presented.

Inter-company transactions, balances and unrealised gains or losses, if any, are eliminated for the purpose of the combined financial statements of the Group for all years presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in preparation of the Historical Financial Information which are in accordance with International Financial Reporting Standards (“IFRS”) issued by International Accounting Standards Board (the “IASB”). The Historical Financial Information have been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

IFRS 9 ‘Financial instruments’ and IFRS 15 ‘Revenue from contracts with customers’ are effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has applied IFRS 9 and IFRS 15 consistently throughout the Track Record Period. The adoption of these standards did not have a material impact on financial position and performance of the Group when compared to that of IAS 39 ‘Financial instruments: Recognition and measurement’ and IAS 18 ‘Revenue’.

2.1.1 New standards and interpretations not yet adopted

The following new standards and amendments to standards have been published but are not yet effective for Track Record Period and which the Group has not early adopted:

Standards	Key requirements	Effective for annual periods beginning on or after	Note
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019	
IFRS 16	Leases	1 January 2019	i.
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	
IFRS 17	Insurance Contracts	1 January 2021	
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined	
Amendments to IFRS	Annual Improvement to IFRS 2015–2017 Cycle	1 January 2019	
Amendments to IAS 19	Employee benefits — Plan amendment, curtailment or settlement	1 January 2019	
Amendments to IAS 28	Investment in associate — on long term interest in associates and joint venture	1 January 2019	
Amendments to IFRS 3	Definition of a business	1 January 2020	

Note i:

IFRS 16 “Leases” — The Group is a lessee of its various properties which are currently classified as operating leases. The Group’s current accounting policy for such leases is set out in Note 2.15. As at 31 March 2019, the Group has aggregate minimum lease payments, which are not reflected in the combined statements of financial position, under non-cancellable operating lease of S\$2,759,000 as set out in Note 29(b).

IFRS 16 provides new provisions for the accounting treatment of leases and will, in the future, no longer allow lessees to account for certain leases outside the combined statements of financial position. Instead, all long-term leases must be recognised in the combined statements of financial position in the form of assets (for

the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The new standard will therefore result in an increase in right-to-use asset and an increase in lease liability in the combined statements of financial position. In the combined statements of profit or loss, lease will be recognised in the future as depreciation and will no longer be recorded as rental expenses. Interest expense on the lease liability will be presented separately from depreciation under finance costs. The combination of a straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term on a lease by lease basis.

Nevertheless, it is expected that there will be no material impact on the total expenses to be recognised over the entire lease period and the Group's total net profit over the lease period is not expected to be materially affected. Upon adoption of IFRS 16, the total assets and total liabilities will be increased by around 15% and 21%, respectively with no material impact on the net assets and financial performance. The adoption of IFRS 16 would not affect the Group's total cash flows in respect of the leases.

The Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information. The Group intends to apply the practical expedient under this modified approach and not to reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. The Group also intends to adopt the practical expedient of not to apply the requirement of IFRS 16 to short-term leases (i.e. where lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease terms.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities undertaken and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration

transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

The restructuring exercises under Notes 1.2(e) and 1.2(f) are a business combination involving entities under common control as the STSS Company Pte. Ltd., STSS Concepts Sdn. Bhd. and STSS Resources Sdn. Bhd. are under the common control of the same Controlling Parties who have the collective power to govern the financial and operating policies of the Group throughout the Track Record Period. Accordingly, the restructuring exercises have been accounted for using the predecessor values method.

Under the predecessor values method, the combined financial statements of the Group have been presented as if the Group structure immediately after the reorganisation has been in existence since the earlier financial year presented and the assets and liabilities are brought into the combined financial statements at their existing carrying amounts.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined statements of financial position of the investee's net assets including goodwill.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of the Group and the Company are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Historical Financial Information is presented in Singapore Dollar ("S\$" or "SGD"), which is functional currency of the Company and presentation currency of the Group.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end rates are recognised in profit or loss.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

All other foreign exchange gains and losses impacting profit or loss are presented in the combined statements of profit or loss within "other (losses)/gains — net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

2.4 Property, plant and equipment

All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	Useful lives
Properties	51 years
Renovation works	Over the remaining lease period
Furniture and fittings	5 years
Office equipment	3 years
Kitchen equipment	3 years
Computers	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation of the properties begins when it is in the condition necessary for it to be capable of operating in the manner intended by management.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains — net" in the combined statements of profit or loss and other comprehensive income.

2.5 Impairment of non-financial assets

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-units ("CGU") to which the asset belongs.

For the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss.

2.6 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For investments in debt instruments, this will depend on the business model in which the investment is held. For trade and other receivables and cash and cash equivalents, the Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest, and hence, are measured at amortised cost.

See Note 15 for details of each type of financial asset.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. These are measured at amortised cost as follows:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

(c) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(d) *Impairment of financial assets*

The Group has the following types of financial assets subject to IFRS 9's new expected credit loss model:

- trade receivables for sales of goods or provision of services; and
- other receivables
- cash and cash equivalents

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. For other receivables and cash and cash equivalents, the Group applies the general 3-stage impairment model under IFRS 9, which requires monitoring of significant increase in credit risk. Note 3(c) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis, and includes all costs in bringing the inventories to their present location and condition.

Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.8 Cash and cash equivalents

For the purpose of presentation in the combined statements of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash held for specific use, assessment is made on the economic substance of such use and whether they meet the definition of cash and cash equivalents.

2.9 Share capital and dividends

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, against the share capital account.

Dividend distribution to the Company's equity owners is recognised as a liability in the Group's combined statements of financial position in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.10 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.11 Provision

Provisions are recognised when the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in combined statements of profit or loss and other comprehensive income immediately.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

2.12 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of combined statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.13 Employee benefits

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The Group's contributions to defined contribution plans are recognised in the financial year to which they relate.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

2.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts; and when specific criteria have been met for each of the Group's activities, as described below.

(a) *Sales of goods — Food and beverages*

Revenue from sale of goods through its corporate-owned outlet is recognised at the point that the control of the products have been transferred, being when the food and beverages have been served. The sales are made in cash terms upon orders are made at the sales counter.

Revenue from sale of goods to franchisees is recognised at the point that the control of the products have been transferred to the customer, being when the products has been acknowledged by the customers' representative at the warehouses. Payment of the transaction price is due immediately when the customer receives the goods from the warehouses.

(b) *Franchise/licence upfront fee*

Franchise/licence fees are collected upfront upon entering into the franchising/licensing arrangement. Franchise/licence fees revenue is recognised on a straight-line basis over the respective franchise/licence terms.

A contract liability is recognised when the Group has obligation to transfer goods or services to the franchisees/licensees for which the Group has received upfront fees from the franchisees/licensees, and the Group records these as deferred revenue in the liability section of the combined statements of financial position.

(c) *Royalty*

Revenue from royalty charged for a franchising arrangement is recognised on an accrual basis at a fixed predetermined percentage of revenue of franchisees' outlets during the respective franchise terms. Payment of the transaction price is due immediately 7 days after each month end.

(d) *Advertising and promotion fees*

Revenue from advertising and promotion fees collected under a franchising arrangement is recognised when the related advertising and promotion services have been rendered. Any unutilised fees are recorded as advances received for advertising and promotion in the liability section of the combined statements of financial position. Collection of advertising and promotion fees for a franchising arrangement is charged at a fixed predetermined percentage of revenue of franchisee's outlets during the respective franchise terms. Payment of the fees is due immediately 7 days after each month end.

A contract liability is recognised when the Group has the obligation to transfer goods or services to the franchisees for which the fees are collected upfront. These upfront fees collected are recorded as deferred revenue in the liability section of the combined statements of financial position.

(e) *Interest income*

Interest income is recognised by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired.

2.15 Leases

Where the Group is lessee

Operating leases

Leases of assets in which a significant portion of the risks and rewards of the ownership are retained by the lessor are classified as operating leases. Payment made under operating leases are charged to the statements of profit or loss on a straight-line basis over the period of the lease.

*Where the Group is lessor**Operating leases*

Operating fee income (net of any incentives given to lessees) is recognised in the profit or loss on a straight-line basis over the lease term. Initial direct costs incurred by the Group in negotiating and arranging leases are recognised in profit or loss when incurred.

2.16 Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants related to qualifying expenses are recorded net of expenses in the profit or loss. Government grants relating to assets are deducted against the carrying amount of the assets.

2.17 Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the Group Managing Director, as the Chief Operating Decision Maker ("CODM"), who regularly review the segment results in order to allocate resources to the segments and to assess segment performance.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risk (including currency risk and interest risk), credit risk and liquidity risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk*(i) Foreign currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

	MYR S\$'000	USD S\$'000	HKD S\$'000
At 31 March 2017			
Financial assets			
Cash and cash equivalents	4,283	423	—
Trade and other receivables	87	—	—
	<u>4,370</u>	<u>423</u>	<u>—</u>
Financial liabilities			
Trade and other payables	435	—	—
Net financial assets	<u>3,935</u>	<u>423</u>	<u>—</u>
Currency exposure of financial assets net of those denominated in the functional currencies of the entities within the Group	<u>—</u>	<u>423</u>	<u>—</u>

	MYR S\$'000	USD S\$'000	HKD S\$'000
At 31 March 2018			
Financial assets			
Cash and cash equivalents	2,221	26	—
Trade and other receivables	<u>369</u>	<u>—</u>	<u>—</u>
	<u>2,590</u>	<u>26</u>	<u>—</u>
Financial liabilities			
Trade and other payables	<u>1,166</u>	<u>—</u>	<u>—</u>
Net financial assets	<u><u>1,424</u></u>	<u><u>26</u></u>	<u><u>—</u></u>
Currency exposure of financial assets net of those denominated in the functional currencies of the entities within the Group			
	<u><u>—</u></u>	<u><u>26</u></u>	<u><u>—</u></u>
At 31 March 2019			
Financial assets			
Cash and cash equivalents	1,452	97	11
Trade and other receivables	<u>458</u>	<u>26</u>	<u>—</u>
	<u>1,910</u>	<u>123</u>	<u>11</u>
Financial liabilities			
Trade and other payables	<u>914</u>	<u>—</u>	<u>—</u>
Net financial assets	<u><u>996</u></u>	<u><u>123</u></u>	<u><u>11</u></u>
Currency exposure of financial assets net of those denominated in the functional currencies of the entities within the Group			
	<u><u>—</u></u>	<u><u>123</u></u>	<u><u>11</u></u>

Sensitivity analysis for currency risk

With all other variables being held constant, a 5% strengthening/weakening of the Malaysian ringgit ("RM" or "MYR"), United States dollar ("US\$" or "USD") and Hong Kong dollar ("HK\$" or "HKD") against SGD at the reporting date would have either increased or decreased the Group's net profit after tax and equity by the amounts (nearest thousand) shown below:

The Group

	As at 31 March		
	2017 S\$'000	2018 S\$'000	2019 S\$'000
MYR	—	—	—
USD	18	1	5
HKD	<u>—</u>	<u>—</u>	<u>—</u>

(b) Interest rate risk

The Group's interest rate risk arises primarily from borrowings and deposits placed with creditworthy licensed banks and financial institutions at variable rates and fixed rates exposes the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group currently does not hedge its exposure to cash flow and fair value interest rate risk. The Group analyses its interest rate exposure on a regular basis and will consider the interest rate exposure when entering into any financing, renewal of existing positions and alternative financing transactions.

(c) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables and cash deposits at banks. The carrying amounts of trade and other receivables and cash deposits at banks represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are deposited in medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance of these counterparties.

The Group has policies in place to ensure credit sales made to customers with an appropriate credit history. The credit quality of trade receivables that are neither past due nor further impaired, are being assessed by reference to the reputation, credit history and management judgement about counterparty. The Group does not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised represent a large number of receivables from various franchisees.

The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amount.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant increases in credit risk on other financial instruments of the same customer;
- significant changes in the expected performance and behavior of the customer, including changes in the payment status of customer in the group and changes in the operating results of the customer.

Credit risk is controlled by the application of credit limit and monitoring procedures. The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

Sales to outlet customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Company's and the Group's exposure to credit risk arises primarily from trade receivables.

Trade receivables

The Group applies the simplified approach to provide expected credit prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product (GDP) and the unemployment rate of the countries in which it sells goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 60 days when they fall due, and writes off the financial asset when a debtor fails to make contractual payments greater than 180 days past due. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

At each of the reporting period end date, the Group has assessed that the expected loss rate for trade and other receivables are immaterial. Thus no loss allowance provision for trade and other receivables was recognised during the Track Record Period.

(d) Liquidity risk

Liquidity or funding risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group manages its liquidity risk by ensuring the availability of funding through its ability to operate profitably and maintaining sufficient cash to enable it to meet its normal operating commitments.

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year S\$'000	1–2 years S\$'000	2–5 years S\$'000	More than 5 years S\$'000	Total S\$'000
As at 31 March 2017					
Trade and other payables	5,364	—	—	—	5,364
As at 31 March 2018					
Trade and other payables	2,405	—	—	—	2,405
As at 31 March 2019					
Trade and other payables	4,282	—	—	—	4,282
Borrowings	131	133	400	2,550	3,214

(e) Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return to shareholders or issue new shares.

The Group does not have any external borrowings during the financial years ended 31 March 2017 and 31 March 2018 and is not subject to any externally imposed capital requirements during these financial years. As at 31 March 2019, the Group has undertaken borrowing from an external financial institution and is in compliance with the externally imposed capital requirement of the external borrowing.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as total debt divided by total equity. Total debt is calculated as borrowings plus non-trade amounts due to related parties. The gearing ratio of the Group as at 31 March 2017, 2018 and 2019 is as below:

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Total debt	5	5	3,706
Total equity	<u>3,293</u>	<u>3,171</u>	<u>4,030</u>
Gearing ratio	<u>0.2%</u>	<u>0.2%</u>	<u>92.0%</u>

(f) Fair value estimation

The carrying amounts of the Group's current financial assets, including trade receivables, deposits with external parties, other receivables and cash and cash equivalents, and current financial liabilities, including trade payables, accruals, deposits received, dividends payable, other payables and borrowings, approximate their fair values as at reporting date due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these combined financial statements in conformity with IFRS requires management to exercise their judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The area involving higher degree of judgement or complexity or where estimates and assumptions used are significant to the Historical Financial Information are as below.

Unutilised tax losses and unabsorbed capital allowances

Significant management judgments are used to determine the extent that realisation of unutilised tax benefits through future taxable profits is probable. Specific entities within the Group did not recognise deferred income tax assets that arose from carried forward tax losses and other temporary differences as the extent of probable future taxable profits of these entities was uncertain. The unrecognised tax losses and the carrying values of deferred tax assets not recognised of the Group as at 31 March 2017, 2018 and 2019 are disclosed in Note 12.

5 SEGMENT INFORMATION

The Group Managing Director, who is the CODM monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. The Group Managing Director considers all businesses to be included in a single operating segment. Information reported to Group Managing Director, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated.

Revenue

The Group is principally engaged in the provision of food catering services through a chain of Taiwan-style cafes. The following is an analysis of revenue and non-current assets by geographical areas. Revenue is attributed to countries by locations of customers.

	Year ended 31 March		
	2017 S\$'000	2018 S\$'000	2019 S\$'000
Revenue			
Singapore	5,997	6,812	7,438
Malaysia	6,604	8,311	10,029
Indonesia	2,896	3,014	3,481
United States	195	422	363
Others	43	22	14
	<u>15,735</u>	<u>18,581</u>	<u>21,325</u>
	As at 31 March		
	2017 S\$'000	2018 S\$'000	2019 S\$'000
Non-current assets			
Property, plant and equipment			
Singapore	49	155	3,493
Malaysia	59	250	327
	<u>108</u>	<u>405</u>	<u>3,820</u>

Other than revenue and non-current assets analysis, no operating results and other discrete financial information are regularly presented for CODM decision in making assessment of performance and allocation of resources. Accordingly, other than entity-wide information, no analysis of single operating segment is presented.

Revenues of S\$2,896,000, S\$3,014,000 and S\$3,481,000 for each of the years ended 31 March 2017, 2018 and 2019 are derived from a single external customer. These revenues are attributable to sales made from the geographical area of Indonesia.

6 REVENUE

- (a) The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major revenue streams:

	Year ended 31 March		
	2017 S\$'000	2018 S\$'000	2019 S\$'000
Sales of goods			
— Outlet sales	6,915	8,596	10,506
— Franchisees/licensees	6,732	7,650	8,383
Franchise fee	490	522	511
Advertising and promotion fees	298	412	376
Royalty	1,300	1,401	1,549
	<u>15,735</u>	<u>18,581</u>	<u>21,325</u>

	Year ended 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
At a point in time	13,647	16,246	18,889
Over time	<u>2,088</u>	<u>2,335</u>	<u>2,436</u>
Total	<u>15,735</u>	<u>18,581</u>	<u>21,325</u>

(b) Deferred revenue:

(i) Revenue recognised in relation to deferred revenue:

	Year ended 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Revenue recognised in current year that was included in the deferred revenue balance at the beginning of the year	<u>677</u>	<u>651</u>	<u>594</u>

(ii) Unsatisfied performance obligation:

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 March	<u>1,597</u>	<u>1,274</u>	<u>1,221</u>

Management expects that 38%, 35% and 30% of the transaction price allocated to the unsatisfied performance obligations as of 31 March 2017, 2018 and 2019 may be recognised as revenue during the next reporting period. The remaining 62%, 65% and 70% may be recognised by 31 March 2021, 2022 and 2023 for each of the unsatisfied performance obligation as of 31 March 2017, 2018 and 2019, respectively. The amounts disclosed above do not include variable consideration which are subject to significant risk of reversal.

7 OTHER INCOME

	Year ended 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Government grants	—	25	10
Operating fee income	110	103	123
Others	<u>29</u>	<u>46</u>	<u>125</u>
	<u>139</u>	<u>174</u>	<u>258</u>

8 OTHER LOSSES

	Year ended 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Foreign currency exchange difference, net	<u>(175)</u>	<u>(33)</u>	<u>(17)</u>

9 EXPENSES BY NATURE

	Year ended 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Cost of inventories	7,077	7,620	8,701
Employee benefit costs (<i>Note 10</i>)	2,213	2,676	2,813
Rental expenses	1,165	1,487	1,665
Advertising and promotion expenses	331	431	404
Logistics and transportation expenses	326	455	458
Directors' remuneration (<i>Note 10</i>)	347	321	404
Utilities expenses	128	174	238
Sundry expenses	198	252	238
Professional fees	179	269	243
Travelling expense	44	32	33
Withholding tax expense	28	39	73
Depreciation (<i>Note 14</i>)	34	82	148
Printing expenses	6	11	12
Insurance expenses	10	12	18
Auditor's remuneration			
— Statutory audit services	7	10	10
Listing expenses	—	899	2,641
Bad debts written off	77	—	—
Others	233	216	187
	<u>12,403</u>	<u>14,986</u>	<u>18,286</u>
Total cost of sales, administrative, selling and distribution expenses			

10 EMPLOYEE BENEFIT COSTS — INCLUDING DIRECTORS' REMUNERATION

(a) Employee benefit expenses during the years are as follows:

	Year ended 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Wages, salaries and allowances	1,765	2,120	2,303
Retirement benefit costs — defined contribution plans	221	233	256
Others	227	323	254
	<u>2,213</u>	<u>2,676</u>	<u>2,813</u>
Directors' remuneration	347	321	404
	<u>2,560</u>	<u>2,997</u>	<u>3,217</u>
Total employee benefit costs and directors' remuneration			

Employee benefits expenses have been included in combined statements of profit or loss as follows:

	Year ended 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Administrative expenses	1,101	1,145	1,154
Selling and distribution expenses	1,459	1,852	2,063
	<u>2,560</u>	<u>2,997</u>	<u>3,217</u>

(b) Directors' remuneration

The remuneration of every director for the year ended 31 March 2017 is set out below:

Name of director	Fees S\$'000	Salaries, allowances and benefits in kind S\$'000	Employer's contribution to defined contribution plans S\$'000	Other benefits S\$'000	Total S\$'000
Executive directors					
Daniel Tay ¹	—	168	23	—	191
Melvyn Wong ²	—	138	18	—	156
	—	306	41	—	347

The remuneration of every director for the year ended 31 March 2018 is set out below:

Name of director	Fees S\$'000	Salaries, allowances and benefits in kind S\$'000	Employer's contribution to defined contribution plans S\$'000	Other benefits S\$'000	Total S\$'000
Executive directors					
Daniel Tay ¹	—	141	19	—	160
Melvyn Wong ²	—	142	19	—	161
	—	283	38	—	321

The remuneration of every director for the financial period for the year ended 31 March 2019 is set out below:

Name of director	Fees S\$'000	Salaries, allowances and benefits in kind S\$'000	Employer's contribution to defined contribution plans S\$'000	Other benefits S\$'000	Total S\$'000
Executive directors					
Daniel Tay ¹	—	180	22	—	202
Melvyn Wong ²	—	180	22	—	202
	—	360	44	—	404

¹ Mr. Daniel Tay was appointed as director on 2 February 2018. On 11 September 2018, Mr. Daniel Tay was re-designated as executive director.

² Mr. Melvyn Wong was appointed as director on 2 February 2018. On 11 September 2018, Mr. Melvyn Wong was re-designated as executive director.

Mr. Jong Voon Hoo is the Lead Independent Non-executive Director of the Company appointed on 23 September 2019.

Mr. Koh Boon Chiao is one of the Independent Non-executive Directors of the Company appointed on 23 September 2019.

Mr. Lim Wee Pin is one of the Independent Non-executive Directors of the Company appointed on 23 September 2019.

During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any directors' remuneration in the capacity of independent non-executive directors.

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the companies comprising the Group.

During the Track Record Period, none of the directors of the Company waived any remuneration paid or payable by the Group and no remuneration were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(i) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the Track Record Period.

(ii) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the Track Record Period.

(iii) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director of the Company during the Track Record Period.

(iv) Information about loans and quasi-loans in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans and quasi-loans in favour of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(v) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the reporting period or at any time during the Track Record Period.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 March 2017, 2018 and 2019, include two directors, respectively whose remuneration are reflected in the analysis presented above. The remuneration paid to the remaining three individuals during the years ended 31 March 2017, 2018 and 2019, respectively are as follows:

	Year ended 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Wages, salaries and allowances	170	168	204
Retirement benefit costs — defined contribution plans	28	24	35
	<u>198</u>	<u>192</u>	<u>239</u>

The remuneration of above individuals are within the following band:

	Year ended 31 March		
	2017	2018	2019
Remuneration band			
HK\$nil–HK\$500,000 (equivalent from S\$nil to S\$92,664)	<u>3</u>	<u>3</u>	<u>3</u>
11 FINANCE INCOME/(COST)			

	Year ended 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Interest income	91	49	24
Interest expense	<u>—</u>	<u>—</u>	<u>(40)</u>
	<u>91</u>	<u>49</u>	<u>(16)</u>

12 INCOME TAX EXPENSE

Tax has been provided at the applicable tax rate on the estimated assessable profit during the Track Record Period.

The amount of income tax expense charged to the combined statements of profit or loss represents:

	Year ended 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Current income tax	174	650	998
Deferred income tax (<i>Note 17</i>)	<u>4</u>	<u>6</u>	<u>1</u>
	<u>178</u>	<u>656</u>	<u>999</u>
Under provision in respect of prior years			
— current income tax	72	—	—
— deferred income tax (<i>Note 17</i>)	<u>—</u>	<u>—</u>	<u>1</u>
Income tax expense	<u>250</u>	<u>656</u>	<u>1,000</u>

Taxation has been provided at the appropriate rates in the countries in which the Group operates. The Company is not subject to any taxation in the Cayman Islands and the British Virgin Islands. Singapore Corporate income tax rates has been provided of 17% on the estimated profit during the Track Record Period. Under the Income Tax Act, 1967, the applicable income tax rates for the Group entities in Malaysia ranges from 19% to 24% during the Track Record Period.

The tax on the Group's profit before income tax differs from the theoretical amount as follows:

	Year ended 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Profit before tax	3,387	3,785	3,264
Tax calculated at rate of 17%	576	643	555
Tax effects of:			
— Different tax rates in different jurisdictions	(2)	15	100
— Expenses not deductible for tax purposes	43	310	489
— Statutory income exemption	(139)	(171)	(145)
— Unrecognised deductible temporary differences	60	—	—
— Tax rebates	(77)	(95)	—
— Utilisation of previously unrecognised deductible temporary differences and tax losses	(283)	(46)	—
— Under provision of tax in respect of prior years	72	—	1
Income tax expense	<u>250</u>	<u>656</u>	<u>1,000</u>

As at 31 March 2017, 2018 and 2019, specific entities within the Group have unutilised tax losses of S\$543,000, S\$349,000 and S\$nil, respectively and unabsorbed capital allowances of S\$26,000, S\$26,000 and S\$nil, respectively, which are available for offsetting against future taxable profits provided that the provision of tax legislation are complied with. The related tax benefits of S\$111,000, S\$65,000 and S\$nil, have not been recognised in the combined statements of financial position of the Group as at 31 March 2017, 2018 and 2019, as there is no reasonable certainty by these entities of their realisation in future periods.

In the financial years ended 31 March 2017, 2018 and 2019, the Group has utilised the unabsorbed capital allowances totalling to S\$5,000, S\$nil and S\$nil, respectively.

13 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the years ended 31 March 2017, 2018 and 2019, on a combined basis as disclosed in Note 1.3 above.

14 PROPERTY, PLANT AND EQUIPMENT

	Properties <i>S\$'000</i>	Renovation works <i>S\$'000</i>	Furniture and fittings <i>S\$'000</i>	Office equipment <i>S\$'000</i>	Kitchen equipment <i>S\$'000</i>	Computers <i>S\$'000</i>	Total <i>S\$'000</i>
Cost							
As at 1 April 2016	—	98	—	77	5	100	280
Additions	—	12	14	6	—	19	51
Write-off	—	(5)	—	—	—	—	(5)
Currency translation differences	—	(4)	(1)	—	—	(3)	(8)
As at 31 March 2017	—	101	13	83	5	116	318
Accumulated depreciation							
As at 1 April 2016	—	(58)	—	(41)	(5)	(75)	(179)
Depreciation for the year	—	(9)	(2)	(14)	—	(9)	(34)
Currency translation differences	—	1	—	—	—	2	3
As at 31 March 2017	—	(66)	(2)	(55)	(5)	(82)	(210)
Net book value							
As at 31 March 2017	—	35	11	28	—	34	108
Cost							
As at 1 April 2017	—	101	13	83	5	116	318
Additions	—	301	2	52	14	1	370
Currency translation differences	—	8	1	1	1	1	12
As at 31 March 2018	—	410	16	136	20	118	700

	Properties S\$'000	Renovation works S\$'000	Furniture and fittings S\$'000	Office equipment S\$'000	Kitchen equipment S\$'000	Computers S\$'000	Total S\$'000
Accumulated depreciation							
As at 1 April 2017	—	(66)	(2)	(55)	(5)	(82)	(210)
Depreciation for the year	—	(46)	(3)	(21)	(1)	(11)	(82)
Currency translation differences	—	(1)	—	(1)	—	(1)	(3)
As at 31 March 2018	—	(113)	(5)	(77)	(6)	(94)	(295)
Net book value							
As at 31 March 2018	—	297	11	59	14	24	405
Cost							
As at 1 April 2018	—	410	16	136	20	118	700
Additions	3,343	150	33	15	28	13	3,582
Write-off	—	(8)	(12)	—	—	(3)	(23)
Currency translation differences	—	(3)	—	(1)	—	(1)	(5)
As at 31 March 2019	3,343	549	37	150	48	127	4,254
Accumulated depreciation							
As at 1 April 2018	—	(113)	(5)	(77)	(6)	(94)	(295)
Depreciation for the year	(28)	(75)	(5)	(22)	(8)	(10)	(148)
Write-off	—	2	4	—	—	2	8
Currency translation differences	—	1	—	—	—	—	1
As at 31 March 2019	(28)	(185)	(6)	(99)	(14)	(102)	(434)
Net book value							
As at 31 March 2019	3,315	364	31	51	34	25	3,820

Depreciation expenses of S\$34,000, S\$82,000 and S\$148,000 for each of the years ended 31 March 2017, 2018 and 2019, respectively, have been charged in "administrative expenses".

Bank borrowings are secured on property of the Group with carrying amount of \$2,523,000 at 31 March 2019.

15 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Financial assets			
Financial assets at amortised cost			
— Trade and other receivables excluding prepayments	2,166	1,246	1,613
— Cash and cash equivalents	<u>8,035</u>	<u>4,057</u>	<u>4,263</u>
Total	<u><u>10,201</u></u>	<u><u>5,303</u></u>	<u><u>5,876</u></u>
Financial liabilities			
Financial liabilities at amortised cost			
— Trade and other payables excluding goods and services tax payable	5,364	2,405	4,282
— Borrowings	<u>—</u>	<u>—</u>	<u>2,523</u>
Total	<u><u>5,364</u></u>	<u><u>2,405</u></u>	<u><u>6,805</u></u>

16 INVENTORIES

Inventories comprise fast moving consumables items. The cost of inventories included in cost of sales amounted to S\$7,077,000, S\$7,620,000 and S\$8,701,000, for the financial years ended 31 March 2017, 2018 and 2019, respectively.

17 DEFERRED INCOME TAX

The analysis of deferred income tax liability is as follows:

	As at 31 March		
	2017	2018	2019
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Deferred income tax liability:			
— To be settled after one year	<u>(7)</u>	<u>(13)</u>	<u>(15)</u>

The movements in deferred income tax during the Track Record Period are as follows:

Deferred income tax liabilities:

	Accelerated tax depreciation <i>S\$'000</i>
At 1 April 2016	3
Charged to profit or loss	<u>4</u>
At 31 March 2017	<u><u>7</u></u>
At 1 April 2017	7
Charged to profit or loss	<u>6</u>
At 31 March 2018	<u><u>13</u></u>
At 1 April 2018	13
Charged to profit or loss	<u>2</u>
At 31 March 2019	<u><u>15</u></u>

The balance comprises tax on excess of net book value over tax written down value of qualifying plant and equipment.

18 TRADE AND OTHER RECEIVABLES AND PREPAYMENT

	As at 31 March		
	2017 <i>S\$'000</i>	2018 <i>S\$'000</i>	2019 <i>S\$'000</i>
Group			
Trade receivables:			
— Third parties	<u>1,411</u>	<u>407</u>	<u>554</u>
	<u>1,411</u>	<u>407</u>	<u>554</u>
Deposits with external parties	553	747	865
Prepayments	24	303	1,248
Listing expenses to be net-off with the equity upon the listing of the Company	—	312	1,039
Other receivables			
— Third parties	46	92	194
— Related parties (<i>Note 31 (b)</i>)	<u>156</u>	<u>—</u>	<u>—</u>
	<u>779</u>	<u>1,454</u>	<u>3,346</u>
Total trade and other receivables and prepayments	2,190	1,861	3,900
Less non-current portion: prepayments (<i>Note 30</i>)	<u>—</u>	<u>(139)</u>	<u>—</u>
Current portion	<u><u>2,190</u></u>	<u><u>1,722</u></u>	<u><u>3,900</u></u>

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Company			
Prepayments	—	—	926
Listing expenses to be net-off with the equity upon the listing of the Company	—	312	1,039
	<u>—</u>	<u>312</u>	<u>1,965</u>

Deposits with external parties comprise mainly security deposits placed with landlord of leased properties.

Trade receivables

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Trade receivables	1,411	407	554
Less: allowance for impairment of trade receivables	—	—	—
	<u>1,411</u>	<u>407</u>	<u>554</u>

The carrying amounts of trade receivables approximate their fair values.

Trade receivables do not bear any interest rate.

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised represent a large number of receivables from various franchisees.

The Group normally grants credit terms to its customers ranging from 0 to 7 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Current to 30 days	1,375	377	492
31 to 60 days	35	8	46
61 to 90 days	1	5	6
Over 90 days	—	17	10
	<u>1,411</u>	<u>407</u>	<u>554</u>

The creation and release of allowance for impairment receivables have been included in “administrative expenses” in the combined statements of profit or loss. Amount charged to the allowance account are generally written off, when there is no expectation of recovering cash.

Movements on the allowance for impairment of trade and other receivables are as follows:

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Beginning of the year	—	—	—
Add: Allowance for impairment of trade and other receivables	(77)	—	—
Less: Allowance utilised	77	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>

The carrying amounts of the Group's trade and other receivables and prepayments are denominated in the following currencies:

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
SGD	2,103	1,353	3,416
MYR	87	369	458
USD	—	—	26
	<u>2,190</u>	<u>1,722</u>	<u>3,900</u>

19 CASH AND CASH EQUIVALENTS

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Cash at banks	8,029	4,056	4,258
Cash on hand	6	1	5
	<u>8,035</u>	<u>4,057</u>	<u>4,263</u>

The Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
MYR	4,283	2,221	1,452
SGD	3,329	1,810	2,703
USD	423	26	97
HKD	—	—	11
	<u>8,035</u>	<u>4,057</u>	<u>4,263</u>

20 RESERVES

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Foreign currency translation reserve	(267)	(150)	(204)
Other reserves	—	—	(1,139)
Retained earnings	<u>3,086</u>	<u>2,847</u>	<u>3,973</u>
	<u>2,819</u>	<u>2,697</u>	<u>2,630</u>
Represented by:			
Distributable	3,086	2,847	3,973
Non-distributable	<u>(267)</u>	<u>(150)</u>	<u>(1,343)</u>
	<u>2,819</u>	<u>2,697</u>	<u>2,630</u>

Foreign currency translation reserve arises from the translation of the financial statements of foreign entities whose functional currencies are different from the functional currency of the Company.

Other reserves comprise the share premium of the Operating Companies and the differences between total consideration paid to the Controlling Shareholders from the restructuring of certain Operating Companies within the Group and the cost of investment in those Operating Companies.

21 COMBINED CAPITAL

The Company was incorporated on 2 February 2018 and the Reorganisation was completed on 23 September 2019. For the purpose of preparing the Historical Financial Information, the combined capital in the combined statements of financial position as at 1 April 2016 and 31 March 2017 represents the combined capital of the Operating Companies at the issued and paid shares' par value. The combined capital in the combined statements of financial position as at 31 March 2018 and 2019 represents the aggregate amount of the par value of the issued and paid share capital of the Company, Clever Steed Limited and the Operating Companies. The movement of the combined capital for the financial years ended 31 March 2017, 2018 and 2019 are as follow:

	Nominal amount Share capital S\$'000
Balance as at 1 April 2016 and 31 March 2017	474
Shares issued	<u>—*</u>
Balance as at 31 March 2018	474
Restructuring of certain Operating Companies (<i>Note 1.2 (f)</i>)	<u>926</u>
Balance as at 31 March 2019	<u>1,400</u>

* amounts less than S\$1,000

On 22 November 2017, Clever Steed Limited issued one ordinary share for a total consideration of US\$1.

On 25 February 2018, STSS IP Pte. Ltd. issued one ordinary share for a total consideration of US\$1.

The proceeds from shares issued as mentioned above forms part of the combined capital of the Group at 31 March 2019.

22 COMPANY LEVEL STATEMENTS OF CHANGES IN EQUITY

	Share capital S\$'000	Accumulated losses S\$'000	Total S\$'000
As at date of incorporation*	—	—	—
Loss and total comprehensive loss for the year	<u>—</u>	<u>(950)</u>	<u>(950)</u>
As at 31 March 2018	<u>—</u>	<u>(950)</u>	<u>(950)</u>
As at 1 April 2018	—	(950)	(950)
Loss and total comprehensive loss for the year	<u>—</u>	<u>(2,682)</u>	<u>(2,682)</u>
As at 31 March 2019	<u>—</u>	<u>(3,632)</u>	<u>(3,632)</u>

* On 2 February 2018, one ordinary share of the Company was issued at no consideration.

23 TRADE AND OTHER PAYABLES

	As at 31 March		
	2017 S\$'000	2018 S\$'000	2019 S\$'000
Group			
Trade payables			
— Third parties	<u>395</u>	<u>358</u>	<u>480</u>
Total trade payables (<i>Note i</i>)	395	358	480
Other payables and accruals			
— Goods and services tax payables	15	35	51
— Accruals	485	874	1,946
— Deposits received	172	238	307
— Dividends payable	4,140	671	—
— Third parties	167	259	366
— Related parties (<i>Note 31 (b)</i>)	<u>5</u>	<u>5</u>	<u>1,183</u>
Total trade and other payables included in current liabilities	<u>5,379</u>	<u>2,440</u>	<u>4,333</u>
Company			
Accruals	—	460	1,679
Amount due to related companies	<u>—</u>	<u>855</u>	<u>4,059</u>
Total other payables included in current liabilities	<u>—</u>	<u>1,315</u>	<u>5,738</u>

- i The carrying amounts of the Group's trade payables are denominated in SGD, USD and MYR. The carrying amounts of trade payables approximate their fair values.

As at 31 March 2017, 2018 and 2019, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
0 to 30 days	395	357	458
31 to 60 days	—	—	22
Over 60 days	—	1	—
	<u>395</u>	<u>358</u>	<u>480</u>

24 BORROWINGS

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
<i>Current</i>			
Bank borrowings	—	—	83
<i>Non-current</i>			
Bank borrowings	—	—	2,440
	<u>—</u>	<u>—</u>	<u>2,523</u>

The weighted average effective interest rates of the borrowings as at 31 March 2019 is 1.6%.

As at 31 March 2019, all the bank borrowings are denominated in SGD.

As at 31 March 2019, the Group's banking facilities are secured by the properties of the Group and guaranteed by personal guarantees of Mr. Tay and Mr. Wong.

At the 31 March 2019, the fair value of non-current borrowings is approximately S\$2,366,000 and is computed based on cash flow discounted at market borrowing rates of an equivalent instrument at the date of financial position.

The Group's bank borrowings are repayable as follows:

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Within 1 year	—	—	83
Between 1 and 2 years	—	—	83
Between 2 and 5 years	—	—	259
Over 5 years	—	—	2,098
	<u>—</u>	<u>—</u>	<u>2,523</u>

As at 31 March 2017, 2018 and 2019, the Group's total available banking facilities amounted to approximately nil, S\$2,600,000 and S\$2,523,000 of which nil, nil and S\$2,523,000 have been utilised, respectively.

25 PROVISIONS

	Reinstatement costs (Note i) S\$'000	Unutilised leave S\$'000	Total S\$'000
As at 1 April 2016	62	8	70
Provision for the year	<u>—</u>	<u>4</u>	<u>4</u>
As at 31 March 2017	<u>62</u>	<u>12</u>	<u>74</u>
As at 1 April 2017	62	12	74
Utilised during the year	(13)	(2)	(15)
Provision for the year	<u>12</u>	<u>—</u>	<u>12</u>
As at 31 March 2018	<u>61</u>	<u>10</u>	<u>71</u>
As at 1 April 2018	61	10	71
Provision for the year	<u>32</u>	<u>—</u>	<u>32</u>
As at 31 March 2019	<u>93</u>	<u>10</u>	<u>103</u>

- (i) Provision for reinstatement costs were recognised for the expected cost associated with restoring the leased space to set up the Group's outlets, prior to returning the space to respective landlords upon expiry of the relevant leases. Such provision is the present value of the estimated costs of dismantlement, removal and restoration to be incurred for the leased space. The provision is based on estimates made from historical data associated with reinstatement works on contracts of similar nature using technology and materials that are currently available.

26 DEFERRED REVENUE

	Year ended 31 March		
	2017 S\$'000	2018 S\$'000	2019 S\$'000
Franchise upfront fees	1,447	1,175	1,149
Advances received for advertising and promotion	<u>150</u>	<u>99</u>	<u>72</u>
Total deferred revenue	1,597	1,274	1,221
Less non-current portion: franchise upfront fees	<u>(998)</u>	<u>(823)</u>	<u>(860)</u>
Total deferred revenue included in current liabilities	<u>599</u>	<u>451</u>	<u>361</u>

The changes in deferred revenue balance is mainly a result of timing differences between upfront franchise fees and advertising fees collected from franchisees as compared to the franchise revenue recognised and advertising funds utilised during the Track Record Period.

27 DIVIDENDS

Dividends during the years ended 31 March 2017, 2018 and 2019 represented dividends declared by the companies now comprising the Group to the then owners of the companies for the years ended 31 March 2017, 2018 and 2019, after eliminating intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

	Year ended 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Dividend	4,140	3,368	1,138

No dividends is declared and paid by the Company since its incorporation.

28 NOTES TO COMBINED STATEMENTS OF CASH FLOWS**Reconciliation of cash used in purchase of property, plant and equipment**

	Year ended 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Total property, plant and equipment acquired during the year	51	370	3,582
Add: Prepayment for property (<i>Note 30</i>)	—	139	—
Less: Payable of property, plant and equipment (<i>Note 30</i>)	—	—	(139)
Cash used in purchase of property, plant and equipment during the year	51	509	3,443

29 OPERATING LEASE COMMITMENTS**(a) Operating lease commitments — where the Group is a lessor**

The Group leases out space to some of its franchisees, which are non-related parties, under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increase to the lease payments or contingent rents computed based on their sales achieved during the lease period.

The future minimum lease receivables under non-cancellable operating leases contracted for at the date of financial position but not recognised as receivables, are as follows:

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Not later than one year	53	54	77
Between one and five years	62	47	69
	115	101	146

(b) Operating lease commitments — where the Group is a lessee

The Group leases space from landlords, who are non-related parties, under non-cancellable operating lease agreements. These leases are borne with varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the date of financial position but not recognised as liabilities, are as follows:

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Not later than one year	1,147	1,258	1,489
Between one and five years	950	1,152	1,270
	<u>2,097</u>	<u>2,410</u>	<u>2,759</u>

30 CAPITAL COMMITMENTS

Capital expenditures contracted for at the date of financial position but not recognised in the combined statements of financial position, are as follows:

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Property, plant and equipment	<u>—</u>	<u>3,111</u>	<u>—</u>

On 1 February 2018, STSS Integrated Pte. Ltd. accepted an offer from Footprints Properties Pte. Ltd., an independent third party, to purchase two office units for own use for a total consideration of S\$3,250,000. A prepayment of S\$139,000 has been made and recognised as at 31 March 2018.

31 RELATED PARTY TRANSACTIONS

For the purposes of this Historical Financial Information, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

In addition to those disclosed elsewhere in the historical financial information, the following is a summary of significant related party transactions which, in the opinion of the directors, are entered into the ordinary course of business between the Group and its related parties, and the balances arising from related party transactions.

Name of the related party	Relationship with the Group
Tay Kok Siong Daniel	Executive Director and controlling shareholder
Wong Chee Tat	Executive Director and controlling shareholder
Wong Chee Keong	Brother of Wong Chee Tat, the Executive Director
IP Asset Management Pte. Ltd.	A company jointly controlled by the Executive Directors
STSS Concepts (HK) Limited (<i>Note i</i>)	A company jointly controlled by the Executive Directors
Spin Catch Sdn. Bhd. (formerly known as Shihlin Taiwan Street Snacks (M) Sdn. Bhd. (<i>Note ii</i>))	A company jointly controlled by the Executive Directors

Other related parties comprise mainly companies which are controlled by the Group's key management personnel and their close family members.

- i The entity has ceased operations during financial year ended 31 March 2017, and it is in the process of deregistration.
- ii The entity is dormant, and it is in the process of deregistration.

(a) Transactions

	Year ended 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Sales to: (Note i)			
STSS Concepts (HK) Limited	5	—	—
Rental expense from: (Note i)			
IP Asset Management Pte. Ltd.	76	76	44

- i Sales and rental expense are respectively made and charged at prices and rates mutually agreed by the relevant parties.

(b) Year-end balances with related parties

	As at 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Amounts due from related parties			
STSS Concepts (HK) Limited	—	—	—
STSS (M) Sdn. Bhd.	—	—	—
Daniel Tay	92	—	—
Melvyn Wong	64	—	—
Total	156	—	—
Amounts due to related parties			
STSS (M) Sdn. Bhd.	5	5	1
Daniel Tay	—	—	1,182
Melvyn Wong	—	—	—
Total	5	5	1,183

The amounts due from related parties and amounts due to related parties are unsecured, interest-free and repayable on demand.

The carrying amount approximates its fair value and is dominated in S\$.

The trade and non-trade balances of the amounts due from related parties and amounts due to related parties are disclosed in Note 18 and Note 23, respectively.

(c) Key management compensation

Key management includes Executive Directors, Financial Controller and General Manager. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 March		
	2017	2018	2019
	S\$'000	S\$'000	S\$'000
Salaries and other short-term employee benefits	<u>524</u>	<u>528</u>	<u>626</u>

32 CONTINGENT LIABILITIES

The Group had no material contingent liabilities outstanding as at 31 March 2017, 2018 and 2019.

33 SUBSEQUENT EVENTS

- (i) The Reorganisation was completed on 23 September 2019 and the details are summarised in Note 1.2.
- (ii) By a shareholder's resolutions dated 23 September 2019 and conditional on the share premium account of the Company being credited as a result of the Share Offer, an amount of HK\$5,999,999 standing to the credit of the share premium account of the Company will be capitalised and applied in paying up in full at par a total of 599,999,900 shares to be allotted and issued to Brilliant Stride Limited.
- (iii) On 23 September 2019, the directors of the subsidiaries declared to the Controlling Shareholders a dividend of S\$1,000,000, which has been approved but yet to be settled as at the date of this report.

Save as disclosed above, there have been no material events subsequent to the Track Record Period which require adjustment or disclosure in accordance with IFRS.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2019 and up to the date of this report. Save as disclosed in this report in Note 33, no dividend or distribution has been declared, made or paid by the Company or any of a subsidiary now comprising the Group in respect of any period subsequent to 31 March 2019.

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of the Group attributable to the equity holders of the Company as of 31 March 2019 as if the Share Offer had taken place on 31 March 2019.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group had the Share Offer been completed as at 31 March 2019 or at any future dates.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2019 <i>(Note 1)</i> S\$'000	Estimated net proceeds from the Share Offer <i>(Note 2)</i> S\$'000	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company as at 31 March 2019 S\$'000	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 3)</i> S\$	adjusted <i>(Note 6)</i> HK\$
Based on an Offer Price of HK\$0.65 per Share	<u>4,030</u>	<u>17,780</u>	<u>21,810</u>	<u>0.027</u>	<u>0.156</u>
Based on an Offer Price of HK\$0.75 per Share	<u>4,030</u>	<u>20,870</u>	<u>24,900</u>	<u>0.031</u>	<u>0.179</u>

Notes:

- (1) The audited combined net tangible assets attributable to equity holders of the Company as at 31 March 2019 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to equity holders of the Company as at 31 March 2019 of S\$4,030,000.

- (2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$0.65 and HK\$0.75 per Offer Share, being the lower end and higher end of the Offer Price range, respectively, after the deduction of the underwriting fees and other listing related expenses payable by the Company (excluding Listing expenses of S\$3,540,000 charged to the combined statements of profit or loss and other comprehensive income up to 31 March 2019), and takes no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or the Over-allotment Option, or any Shares which may be issued or repurchased by the Company pursuant to the Share Issue Mandate and the Share Buy-back Mandate.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 Shares were in issue assuming that the Share Offer and Capitalisation Issue had been completed on 31 March 2019 but takes no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or the Over-allotment Option, or issued or repurchased by the Company pursuant to the Share Issue Mandate and the Share Buy-back Mandate.
- (4) No adjustment has been made to reflect the dividend of S\$1,000,000 declared on 23 September 2019 or any trading result or other transactions of the Group entered into subsequent to 31 March 2019.
- (5) The unaudited pro forma adjusted net tangible assets did not take into account the dividend of S\$1,000,000 declared on 23 September 2019. Had such dividend been taken into account, the unaudited pro forma adjusted net tangible assets per Share would have been approximately S\$0.026 (equivalent to approximately HK\$0.150), assuming an Offer Price of HK\$0.65 per Share, and approximately S\$0.030 (equivalent to approximately HK\$0.173), assuming an Offer Price of HK\$0.75 per Share.
- (6) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Singapore dollars are converted into Hong Kong dollars at a rate of S\$1 to HK\$5.76. No representation is made that Singapore dollar amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**To the Directors of Snack Empire Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Snack Empire Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 March 2019, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 30 September 2019, in connection with the proposed share offer of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed share offer on the Group's financial position as at 31 March 2019 as if the proposed share offer had taken place at 31 March 2019. 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 year ended 31 March 2019, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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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 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed share offer at 31 March 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 September 2019

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Property Consultants Pte Ltd, an independent valuer, in connection with its valuation as at 31 August 2019 of the properties held by the Group.



Jones Lang LaSalle Property Consultants Pte Ltd

1 Paya Lebar Link #10-08 Paya Lebar Quarter Tower 2 Singapore 408533
tel +65 6220 3888 fax +65 6438 3360

Company Reg No: 198004794D

Agency Licence No. L3007326E

30 September 2019

The Board of Directors
Snack Empire Holdings Limited
10 Anson Road
#21-02 International Plaza
Singapore 079903

Dear Sirs,

In accordance with your instructions to value the property interests held by Snack Empire Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) in Singapore, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 August 2019 (the “**valuation date**”).

Our valuation is done on a market value basis. Market value is defined as “the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interest in Group I which is held for owner-occupation by the Group in Singapore and property interest in Group II which is partially held for investment and partially held and occupied by the Group in Singapore by using the Direct Comparison Method, assuming sale of the property interests in their existing state, subject to the existing tenancies and occupancy arrangement. We have also make reference to comparable sales transactions as available in the relevant market to carry out our assessment.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the SISV Valuation Standards published by the Singapore Institute of Surveyors and Valuers; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as the strata floor areas, existing leases and occupancy arrangements, specifications and other relevant matters.

We have carried out the title searches relating to the Properties with the Land Title Registry. We have reported the information with regards to the ownership, tenure, strata floor area and all encumbrances, if any, in our reports. However, we do not interpret nor ascertain the security of the ownership or legal interest in the Properties belonging to the client. In carrying out our valuation, we assumed that the client owned the assets as at the date of our valuation.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents are correct. All documents and contracts have been used as reference only. No on-site measurement has been taken.

We have inspected the exterior and where possible, the interior of the properties. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any items of disrepair which we regard as serious, we are not, however, able to give any assurance that the Properties are free of rot, infestation or any other structural defect.

10 Anson Road #21-02/02A/03/03A were inspected on 27 April 2018 by Neo Maggie. She has approximately 16 years of experience in the valuation of properties in Singapore.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Singapore Dollar (S\$). Our valuation is summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Property Consultants Pte Ltd
Tan Keng Chiam
B.Sc. (Est. Mgt.) MSISV, MRICS
Appraiser Licence No: AD041-2004796D
Senior Director

Note: Tan Keng Chiam is a Singapore Licensed Appraiser and member of Singapore Institute of Surveyor and Valuer who has 29 years' experience in the valuation of properties in Singapore.

SUMMARY OF VALUES

GROUP I — PROPERTY INTEREST HELD FOR OWNER OCCUPATION BY THE GROUP IN SINGAPORE¹

<u>No.</u>	<u>Property</u>	<u>Market Value in existing state as at 31 August 2019</u>
		S\$
1.	10 Anson Road #21-02/02A International Plaza Singapore 079903	1,750,000

	Sub-Total:	<u><u>1,750,000</u></u>

¹ As advised by the Group

GROUP II — PROPERTY INTEREST PARTIALLY HELD FOR INVESTMENT AND PARTIALLY HELD AND OCCUPIED BY THE GROUP IN SINGAPORE¹

No.	Property	Market Value in existing state as at 31 August 2019
		S\$
2.	10 Anson Road #21-03/03A International Plaza Singapore 079903	1,750,000
		<hr/>
		Sub-Total: <u><u>1,750,000</u></u>

¹ As advised by the Group

VALUATION CERTIFICATE

GROUP I — PROPERTY INTEREST HELD FOR OWNER OCCUPATION BY THE GROUP IN SINGAPORE

<u>No.</u>	<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of Occupancy</u>	Market Value
				as at 31 August 2019
				S\$
1.	10 Anson Road #21-02/02A International Plaza Singapore 079903	A strata-titled office unit located on the 21st storey of a 50-storey mixed development known as International Plaza. The subject development was completed in 1976 and was substantially refurbished in 1984. The Property is located on Lot U621M Town subdivision 3 with a strata floor area of 87 sq.m. It is held under leasehold 99 years commencing from 2 June 1970.	The Property is currently owner occupied by the registered proprietor.	1,750,000

Notes:

1. International Plaza is situated at the junction of Anson Road and Choon Guan Street. It is approximately 1.1 km from the city centre at Collyer Quay and is within the Central Business District. The development enjoys a prominent frontage onto Anson Road. Existing developments in the vicinity comprise high-rise office buildings and pre-war terrace shophouses, some of which have been gazetted for conservation/restoration.
2. The registered proprietor is STSS Integrated Pte. Ltd.
3. The site of the Property is zoned as "Commercial with a plot ratio of 8.4+" according to the Master Plan Zoning (2014 Edition).
4. Pursuant to the title search record, the Property is subject to, inter alia, the following encumbrance:
 - a. Mortgaged to Standard Chartered Bank (Singapore) Limited
5. Our valuation is based on Direct Comparison Method with transactions of comparable properties within the development.

In arriving at our valuation figure, we have taken into consideration of the prevailing market conditions and making due adjustments for differences between the Property and the comparables in terms of location, tenure, size, shape, design and layout, age and condition of buildings, dates of transactions and other factors affecting their values to arrive at an adjusted unit rate of approximately S\$1,869/sq.ft.

GROUP II — PROPERTY INTEREST PARTIALLY HELD FOR INVESTMENT AND PARTIALLY HELD AND OCCUPIED BY THE GROUP IN SINGAPORE

<u>No.</u>	<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of Occupancy</u>	<u>Market Value as at 31 August 2019</u> S\$
2.	10 Anson Road #21-03/03A International Plaza Singapore 079903	A strata-titled office unit located on the 21st storey of a 50-storey mixed development known as International Plaza. The subject development was completed in 1976 and was substantially refurbished in 1984. The Property is located on Lot U702K Town subdivision 3 with a strata floor area of 87 sq.m. It is held under leasehold 99 years commencing from 2 June 1970.	#21-03 is currently owner occupied by the registered proprietor and #21-03A is currently tenanted at a gross monthly rental of S\$2,800/- till 30 April 2021.	1,750,000

Notes:

1. International Plaza is situated at the junction of Anson Road and Choon Guan Street. It is approximately 1.1 km from the city centre at Collyer Quay and is within the Central Business District. The development enjoys a prominent frontage onto Anson Road. Existing developments in the vicinity comprise high-rise office buildings and pre-war terrace shophouses, some of which have been gazetted for conservation/restoration.
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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 February 2018 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 23 September 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars

required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors*(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or

- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any

remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business

specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear Business Days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear Business Days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company. Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the

Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 2 March 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as receivers by section 40 of the companies law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands (“**ES Law**”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Law. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company’s special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed “Documents available for inspection” in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 2 February 2018. Our Company has established a place of business in Hong Kong at 57th Floor, The Center, 99 Queen's Road Central, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 17 May 2018. In connection with such registration, Robertsons of 57th Floor, The Center, 99 Queen's Road Central, Hong Kong, has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, its operations are subject to the relevant laws and regulations of the Cayman Islands and its constitution, which comprises of a Memorandum of Association and the Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in authorised and issued share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the date of incorporation, one Share was issued, nil paid, to the initial subscriber. On the same day, the one initial Share was transferred to Brilliant Stride.

On 23 September 2019, Brilliant Stride transferred its entire shareholding interest in Clever Steed to our Company in consideration of our Company allotting and issuing 99 Shares to Brilliant Stride credited as fully paid and crediting as fully paid the one initial Share held by Brilliant Stride.

On 23 September 2019, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,962,000,000 Shares of HK\$0.01 each which rank *pari passu* in all respect with the existing Shares.

Immediately following completion of the Capitalisation Issue and Share Offer (but not taking into account of any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 800,000,000 Shares will be allotted and issued fully paid or credited as fully paid and 9,200,000,000 Shares will remain unissued. Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraph headed "4. Resolutions in writing of the sole Shareholder passed on 23 September 2019" in this appendix, the exercise of the options which may be granted under the Share Option Scheme and the exercise of the Over-allotment Option, our 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 our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this appendix and the sections headed "History, Reorganisation and Group Structure" and "Share Capital" of this prospectus, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

Our principal subsidiaries are set out in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in this appendix and the section headed "History, Reorganisation and Group Structure" of this prospectus, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

4. Resolutions in writing of the sole Shareholder passed on 23 September 2019

Pursuant to the resolutions in writing passed by the sole Shareholder on 23 September 2019, among other things:

- (a) our Company adopted the Memorandum with immediate effect and conditionally adopted the Articles with effect from the Listing Date;
- (b) our Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of par value HK\$0.01 each by the creation of additional 9,962,000,000 Shares which rank *pari passu* in all respects with the existing Shares in issue as at the date of such resolutions;
- (c) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (ii) the Offer Price having been fixed on or around the Price Determination Date; (iii) the execution and delivery of the Underwriting Agreements in accordance with their respective terms; and (iv) the obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any conditions (save for certain exceptions) by ChaoShang Securities (for itself and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer and the grant of the Over-allotment Option were approved and our Directors were authorised to (aa) allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option, on and subject to the terms and conditions as set out in this prospectus; (bb) implement the Share Offer and the listing of the Shares on the Stock Exchange; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary and/or appropriate;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "13. Share Option Scheme" in this section below, were approved and adopted and our Directors were authorised to approve any amendment(s) or modification(s) to the rules of the Share Option Scheme as may be acceptable or not

objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

- (iii) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, our Directors were authorised to capitalise HK\$5,999,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,999,900 new Shares for allotment and issue to the sole Shareholder whose name appears on the register of members of our Company at the close of business on the Business Day immediately preceding the Listing Date (or as our Directors may direct) in proportion (as near as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to its then existing shareholding in our Company and so that the Shares to be allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares and the name of the sole Shareholder be entered in the register of members of our Company as holder of the relevant number of Shares allotted and issued to it;
- (iv) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require Shares to be allotted and issued or dealt with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, a specific authority granted by our Shareholders in general meeting, or the exercise of any subscription rights attached to any warrants or securities which are convertible into Shares or the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any other option scheme, Shares with an aggregate nominal value not exceeding the sum of (aa) 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 (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and (bb) the aggregate nominal value of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any other applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying or renewing the authority given to our Directors as set out in this paragraph (iv), whichever occurs first;
- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or other stock exchange(s) on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose (the “**Repurchase Mandate**”), in accordance with

all applicable laws and the requirements of the Listing Rules or equivalent rules or regulations of such other stock exchange(s), such number of Shares representing up to 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any other applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying or renewing the authority given to our Directors as set out in this paragraph (v), whichever occurs first; and

- (vi) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate as referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme).

5. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For details, please refer to the section headed “History, Reorganisation and Group Structure” of this prospectus.

6. Repurchase of Shares

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Main Board of the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders’ approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate^(note) or by specific approval of a particular transaction.

Note: Pursuant to the resolutions in writing of our sole Shareholder passed on 23 September 2019, the Repurchase Mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or any other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, Shares representing up to 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme or the Over-allotment Option), and the Repurchase Mandate shall remain in effect until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking, varying or renewing the authority given to our Directors, whichever occurs first.

(ii) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchase(s) by us may be made out of profits of our Company, share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on a repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if so authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Core connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(iv) Status of repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase.

(v) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities, which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited

from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(vi) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to the knowledge of our Company until such time as the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vii) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(b) Reasons for Repurchase

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the Listing (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), would result in up to 80,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Share(s) to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**7. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the form of transfer of securities dated 2 May 2018 entered into between Mr. Tay and STSS Concepts in relation to the transfer of one share in STSS Resources (M) from Mr. Tay to STSS Concepts for the consideration of RM2.50;
- (b) the form of transfer of securities dated 2 May 2018 entered into between Mr. Wong and STSS Concepts in relation to the transfer of one share in STSS Resources (M) from Mr. Wong to STSS Concepts for the consideration of RM2.50;
- (c) the form of transfer of securities dated 3 May 2018 entered into between Mr. Tay and STSS Company in relation to the transfer of 500,000 shares in STSS Concepts from Mr. Tay to STSS Company for the consideration of RM2,185,789.27;
- (d) the form of transfer of securities dated 3 May 2018 entered into between Mr. Wong and STSS Company in relation to the transfer of 500,000 shares in STSS Concepts from Mr. Wong to STSS Company for the consideration of RM2,185,789.27;
- (e) the sale and purchase agreement dated 16 September 2019 entered into among Mr. Tay, Mr. Wong and Clever Steed for the transfer of the entire issued and paid-up share capital in STSS Company from Mr. Tay and Mr. Wong to Clever Steed in consideration of Clever Steed allotting and issuing one share to Brilliant Stride (as nominee for Mr. Tay and Mr. Wong) credited as fully paid;
- (f) the sale and purchase agreement dated 16 September 2019 entered into among Mr. Tay, Mr. Wong and Clever Steed for the transfer of the entire issued and paid-up share capital in Shihlin (HM) from Mr. Tay and Mr. Wong to Clever Steed in consideration of Clever Steed allotting and issuing one share to Brilliant Stride (as nominee for Mr. Tay and Mr. Wong) credited as fully paid;
- (g) the sale and purchase agreement dated 16 September 2019 entered into among Mr. Tay, Mr. Wong and Clever Steed for the transfer of the entire issued and paid-up share capital in Umami from Mr. Tay and Mr. Wong to Clever Steed in consideration of Clever Steed allotting and issuing one share to Brilliant Stride (as nominee for Mr. Tay and Mr. Wong) credited as fully paid;
- (h) the sale and purchase agreement dated 16 September 2019 entered into among Mr. Tay, Mr. Wong and Clever Steed for the transfer of the entire issued and paid-up share capital in STSS Resources from Mr. Tay and Mr. Wong to Clever Steed in consideration of Clever Steed allotting and issuing one share to Brilliant Stride (as nominee for Mr. Tay and Mr. Wong) credited as fully paid;

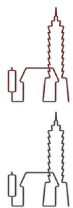






- (i) the sale and purchase agreement dated 16 September 2019 entered into among Mr. Tay, Mr. Wong and Clever Steed for the transfer of the entire issued and paid-up share capital in Shihlin (313) from Mr. Tay and Mr. Wong to Clever Steed in consideration of Clever Steed allotting and issuing one share to Brilliant Stride (as nominee for Mr. Tay and Mr. Wong) credited as fully paid;
- (j) the sale and purchase agreement dated 16 September 2019 entered into among Mr. Tay, Mr. Wong and Clever Steed for the transfer of the entire issued and paid-up share capital in STSS Integrated from Mr. Tay and Mr. Wong to Clever Steed in consideration of Clever Steed allotting and issuing one share to Brilliant Stride (as nominee for Mr. Tay and Mr. Wong) credited as fully paid;
- (k) the sale and purchase agreement dated 16 September 2019 entered into among Mr. Tay, Mr. Wong and Clever Steed for the transfer of the entire issued and paid-up share capital in Shihlin (JP) from Mr. Tay and Mr. Wong to Clever Steed in consideration of Clever Steed allotting and issuing one share to Brilliant Stride (as nominee for Mr. Tay and Mr. Wong) credited as fully paid;
- (l) the sale and purchase agreement dated 16 September 2019 entered into among Mr. Tay, Mr. Wong and Clever Steed for the transfer of the entire issued and paid-up share capital in Shihlin (TM) from Mr. Tay and Mr. Wong to Clever Steed in consideration of Clever Steed allotting and issuing one share to Brilliant Stride (as nominee for Mr. Tay and Mr. Wong) credited as fully paid;
- (m) the sale and purchase agreement dated 16 September 2019 entered into among Mr. Tay, Mr. Wong and Clever Steed for the transfer of the entire issued and paid-up share capital in Shihlin (HF) from Mr. Tay and Mr. Wong to Clever Steed in consideration of Clever Steed allotting and issuing one share to Brilliant Stride (as nominee for Mr. Tay and Mr. Wong) credited as fully paid;
- (n) the sale and purchase agreement dated 16 September 2019 entered into among Mr. Tay, Mr. Wong and Clever Steed for the transfer of the entire issued and paid-up share capital in Shihlin (NP) from Mr. Tay and Mr. Wong to Clever Steed in consideration of Clever Steed allotting and issuing one share to Brilliant Stride (as nominee for Mr. Tay and Mr. Wong) credited as fully paid;
- (o) the sale and purchase agreement dated 16 September 2019 entered into among Mr. Tay, Mr. Wong and Clever Steed for the transfer of the entire issued and paid-up share capital in STSS IP from Mr. Tay and Mr. Wong to Clever Steed in consideration of Clever Steed allotting and issuing one share to Brilliant Stride (as nominee for Mr. Tay and Mr. Wong) credited as fully paid;
- (p) the sale and purchase agreement dated 23 September 2019 entered into among Brilliant Stride, Mr. Tay, Mr. Wong and our Company for the transfer of all the issued shares of Clever Steed from Brilliant Stride to our Company in consideration of our Company (i) allotting and issuing 99 Shares to Brilliant Stride credited as fully paid; and (ii) crediting the one initial Share held by Brilliant Stride as fully paid;






- (q) the Deed of Indemnity; and
- (r) the Public Offer Underwriting Agreement.

8. Intellectual Property Rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group had registered the following trademarks which, our Directors considered to be material to our business:

No.	Trademark	Name of registered owner	Place of registration	Class(es) and description	Registration no. and/or trademark no.	Registration date	Expiry date
1		Snack Empire Holdings Limited	Hong Kong	Class 43	304454118	9 March 2018	8 March 2028
2		STSS IP Pte. Ltd.	Singapore	Class 43 (Note 1)	T0414191F	31 August 2004	31 August 2024
3		STSS IP Pte. Ltd.	Malaysia	Class 43 (Note 2)	05001258	26 January 2005 (date of renewal)	26 January 2025
4		STSS IP Pte. Ltd.	Australia	Class 43 (Note 3)	1477947	1 March 2012	1 March 2022
5	Shihlin Taiwan Street Snacks 士林台灣小吃 	STSS IP Pte. Ltd.	Hong Kong	Class 43 (Note 4)	302183571	7 March 2012 (Actual date of registration 4 December 2012)	6 March 2022
6	Shihlin Taiwan Street Snacks & logo 	STSS IP Pte. Ltd.	Indonesia	Class 43	IDM000222334	14 December 2016	31 May 2025
7	The words "Taiwan Street Snacks" and "Taiwan Snacks" in Chinese characters are disclaimed 	STSS IP Pte. Ltd.	The Philippines	Class 43 (Note 5)	4/2012/00002805	16 October 2014	16 October 2024

No.	Trademark	Name of registered owner	Place of registration	Class(es) and description	Registration no. and/or trademark no.	Registration date	Expiry date
8		STSS IP Pte. Ltd.	Vietnam	Class 43	Application Reg#267986	7 September 2016	8 February 2025
9		STSS IP Pte. Ltd.	Cambodia	Class 43	KH/60059/16	29 June 2016 (Valid from 8 June 2015)	8 June 2025
10	Shihlin Taiwan Street Snacks & device 	STSS IP Pte. Ltd.	Korea	Class 43 (Note 6)	41-0340129	2 December 2015	2 December 2025
11	士林台灣小吃 Shihlin Taiwan Street Snacks and logo 	STSS IP Pte. Ltd.	Myanmar	Class 43 (Note 7)	IV/5909/2018	23 August 2013	Not applicable
12	Shihlin Taiwan Street Snacks 	STSS IP Pte. Ltd.	The United States	Class 43	3653618	14 July 2009	13 July 2029

Notes:

1. Restaurants (Self-service)
2. Services for providing food and drink
3. Restaurants and snack bars, including restaurants and snack bars providing take-away food
4. Restaurants; canteens; hotels; bar services; cafes; snack-bars; self-service restaurants; tea house services; food and drink catering; mobile stalls for provision of food and drink
5. Restaurants (Self-service)
6. Services for providing food and drink
7. Services for providing food and drinks

As at the Latest Practicable Date, our Group had applied for registration of the following trademark:

<u>Trademark</u>	<u>Application</u>	<u>Place of application</u>	<u>Class</u>	<u>Application number</u>	<u>Application date</u>
	STSS IP Pte. Ltd	Egypt	Class 43	378131	10 October 2018

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain names:

<u>Domain name</u>	<u>Name of registered owner</u>	<u>Date of registration</u>	<u>Expiry date</u>
http://www.shihlinsnacks.com.tw/	STSS IP Pte. Ltd.	2 March 2004	2 March 2020
http://www.snackemp.com	Snack Empire Holdings Limited	1 January 2018	1 January 2021

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

9. Directors

(a) Particulars of Directors' service contracts and letters of appointment

Each of Mr. Wong and Mr. Tay, being all the executive Directors, has entered into a service contract with our Company on 23 September 2019. Particulars of these contracts, except as indicated, are in all material respects identical and are set out below:

- (i) the term of each service contract is three years commencing from the Listing Date and will continue thereafter until terminated in accordance with the terms of the service agreement;
- (ii) the initial annual salary for each of Mr. Wong and Mr. Tay is set out below, such salary to be reviewed annually by the Board and the remuneration committee of our Company; and
- (iii) each of these executive Directors is entitled to such discretionary bonus by reference to, among others, the operating results of our Group and/or the performance of the executive Directors as the Board and the remuneration committee of our Company may approve, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board approving the amount of annual salary, discretionary bonus and other benefits payable to him.

The current basic annual salaries of the executive Directors are as follows:

<u>Name</u>	<u>Amount</u>
Mr. Wong	S\$180,000
Mr. Tay	S\$180,000

Each of Mr. Jong Voon Hoo, Mr. Koh Boon Chiao and Mr. Lim Wee Pin, being all the independent non-executive Directors, has entered into a letter of appointment with our Company on 23 September 2019. Each letter of appointment is for an initial term of one year commencing on the Listing Date unless terminated by either party giving at least one month's notice in writing. Each independent non-executive Director is entitled to an annual director's fee of S\$30,000.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(b) Directors' remuneration

The aggregate remuneration (including fees, salaries, other allowances and benefits in kind, discretionary bonuses and contribution to pension schemes) of our Directors for FY2017, FY2018 and FY2019 were approximately S\$0.3 million, S\$0.3 million and S\$0.4 million, respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonus, if any, payable to our Director) payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 March 2020 is estimated to be approximately S\$0.4 million.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 March 2019 (i) as an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 March 2019.

(c) *Interests and short positions of Directors in the shares, underlying shares or debentures of our Company and its associated corporations*

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), the interests or short positions of our Directors and the chief executives of our Company in the shares, underlying shares and debentures of our Company and 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 he is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, in each case once the Shares are listed on the Stock Exchange, will be as follows:

Long positions in the Shares of our Company

<u>Name</u>	<u>Capacity/ Nature of interest</u>	<u>Immediately following completion of the Capitalisation Issue and the Share Offer (assuming the Over- allotment Option is not exercised)</u>		<u>Immediately following completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is exercised)</u>	
		<u>Number of Share(s)⁽¹⁾</u>	<u>Percentage of shareholding</u>	<u>Number of Share(s)⁽¹⁾</u>	<u>Approximate percentage of shareholding</u>
Mr. Wong	Interest in controlled corporation ⁽²⁾	600,000,000 (L)	75%	600,000,000 (L)	72.3%
Mr. Tay	Interest in controlled corporation ⁽²⁾	600,000,000 (L)	75%	600,000,000 (L)	72.3%

Notes:

- (1) The letter “L” denotes the person’s long position in the relevant shares.
- (2) All the issued shares of Brilliant Stride are legally and beneficially owned as to 50% by Mr. Wong and 50% by Mr. Tay. Accordingly, Mr. Wong and Mr. Tay are deemed to be interested in 600,000,000 Shares held by Brilliant Stride by virtue of the SFO.

10. Interest discloseable under the SFO and substantial Shareholders

So far as is known to our Directors, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme), the following persons (not being a Director or the chief executive of our Company) will have an interest or a short position in Shares or underlying shares which would be required 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 will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

(a) *Interests and short positions in our Shares and underlying Shares of our Company*

Name of Shareholder	Capacity/ Nature of interest	Immediately following completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised)		Immediately following completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is exercised)	
		Number of Share(s) ⁽¹⁾	Percentage of shareholding in our Company	Number of Share(s) ⁽¹⁾	Approximate percentage of shareholding in our Company
Brilliant Stride	Beneficial owner ⁽²⁾	600,000,000 (L)	75%	600,000,000 (L)	72.3%
Ms. Chong Yi May Cheryl (“Mrs. Wong”)	Interest of spouse ⁽³⁾	600,000,000 (L)	75%	600,000,000 (L)	72.3%
Ms. Lim Michelle (“Mrs. Tay”)	Interest of spouse ⁽⁴⁾	600,000,000 (L)	75%	600,000,000 (L)	72.3%

Notes:

- (1) The letter “L” denotes the person’s long position in the relevant shares.
- (2) All the issued share capital of Brilliant Stride are legally and beneficially owned as to 50% by Mr. Wong and 50% by Mr. Tay. Accordingly, Mr. Wong and Mr. Tay are deemed to be interested in 600,000,000 Shares held by Brilliant Stride by virtue of the SFO.
- (3) Mrs. Wong, the spouse of Mr. Wong, is deemed under the SFO to be interested in the Shares in which Mr. Wong has an interest.
- (4) Mrs. Tay, the spouse of Mr. Tay, is deemed under the SFO to be interested in the Shares in which Mr. Tay has an interest.

11. Related party transactions

During the three years immediately preceding the date of this prospectus, our Group engaged in the related party transactions as mentioned in Note 30 of the Accountant’s Report set out in Appendix I to this prospectus.

12. Disclaimers

Save as disclosed in this prospectus:

- (a) so far as is known to any of our Directors or chief executive of our Company, no person will immediately following completion of the Capitalisation Issue and Share Offer 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (b) none of our Directors or chief executive of our Company has any interests and short positions in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor any of the persons listed in the paragraph headed “20. Qualifications and consents of experts” in this section below is interested, directly or indirectly, in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or were proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for the Offer Shares either in his/her own name or in the name of a nominee;
- (d) none of our Directors or the persons listed in the paragraph headed “20. Qualifications and consents of experts” in this section below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;
- (e) none of the persons listed in the paragraph headed “20. Qualifications and consents of experts” in this section below has any shareholding (whether legally or beneficially) 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;
- (f) none of our Directors has entered or has proposed to enter into any service agreement with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

- (g) so far as is known to our Directors, none of our Directors or their respective close associates or any Shareholders of our Company (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest customers or the five largest suppliers of our Group.

SHARE OPTION SCHEME

13. Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme, which was approved by resolutions in writing of our sole Shareholder passed on 23 September 2019. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose of the Share Option Scheme

The purpose of this Share Option Scheme is to enable the Board to grant options to Eligible Persons (as defined below) as incentives or rewards for their contribution or potential contribution to our Group and to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to our Group.

(b) Who may join

Subject to the provisions in the Share Option Scheme, our Directors may at any time and from time to time within a period of ten (10) years commencing from the date of adoption of the Share Option Scheme at their absolute discretion and subject to such terms, conditions, restrictions or limitations as they may think fit offer, at the consideration of HK\$1.00 per grant of option, to grant option to any person belonging to the following classes of participants (the “**Eligible Person(s)**”):

- (i) any employee or proposed employee (whether full time or part time, including any director) of any member of our Group or invested entity; and
- (ii) any supplier of goods or services, any customer, any person or entity that provide research, development or other technological support, any shareholder or other participants who contributes to the development and growth of our Group or any invested entity.

(c) *Maximum number of Shares*

- (i) Notwithstanding anything to the contrary herein, the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company shall not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.
- (ii) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 80,000,000 Shares, being 10% of the total number of Shares (assuming no options are granted under the Share Option Scheme) in issue on the Listing Date (the “**Scheme Limit**”) unless approved by our Shareholders pursuant to paragraph (iv) below. Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company shall not be counted for the purpose of calculating the Scheme Limit.
- (iii) Our Company may seek separate approval of our Shareholders in general meeting for refreshing the Scheme Limit provided that such limit as refreshed shall not exceed 10% of the total number of Shares (assuming no options are granted under the Share Option Scheme) in issue as at the date of the approval of our Shareholders on the refreshment of the Scheme Limit. Options previously granted under the Share Option Scheme or any other share option schemes of our Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of our Company or exercised) will not be counted for the purpose of calculating the limit as refreshed.

For the purpose of seeking the approval of Shareholders, a circular containing the information as required under the Listing Rules shall be sent by our Company to our Shareholders.

- (iv) Our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the Scheme Limit provided that the Options in excess of the Scheme Limit are granted only to Eligible Persons specifically identified by our Company before such approval is sought and that the proposed grantee(s) and his close associates (or his associates if the proposed grantee is a connected person) shall abstain from voting in the general meeting. For the purpose of seeking the approval of our Shareholders, our Company shall send a circular to our Shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and any other information as required under the Listing Rules.

(d) *Maximum entitlement of each Eligible Person*

No option shall be granted to any Eligible Person if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue from time to time (the “**Participant Limit**”), unless:

- (i) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of our Shareholders in general meeting, at which the Eligible Person and his close associates shall abstain from voting;
- (ii) a circular regarding the grant has been dispatched to our Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the Eligible Person, the number and terms of the options to be granted and options previously granted to such Eligible Person); and
- (iii) the number and terms (including the subscription price) of such option are fixed before our Shareholders’ approval is sought.

(e) *Grant of options to connected persons*

- (i) Any grant of options to any Director, chief executive, or substantial shareholder (excluding the proposed director or chief executive) of our Company or any of their respective associates shall be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is any offeree of an option) and shall comply with the relevant provisions of Chapter 17 of the Listing Rules.
- (ii) Where an option is to be granted to a substantial shareholder or an independent non-executive Director (or any of their respective associates), and such grant will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such grant: (1) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the total number of Shares in issue at the relevant time of grant; and (2) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of each grant, in excess of HK\$5 million (or such other amount as may from time to time be specified by the Stock Exchange), such grant shall not be valid unless: (aa) a circular containing the details of the grant has been dispatched to our Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules (including, in particular, a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee of an option) to the independent Shareholders as to voting); and (bb) the grant has been

approved by the independent Shareholders in general meeting (taken on a poll), at which the proposed grantee, his associates and all core connected persons of our Company shall abstain from voting in favour of the grant.

- (iii) Where any change is to be made to the terms of any option granted to a substantial shareholder or an independent non-executive Director (or any of their respective associates), such change shall not be valid unless the change has been approved by our Shareholders in general meeting as required under sub-paragraph (ii) above.

(f) Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by an Eligible Person within the date as specified in the offer letter issued by our Company, being a date not later than 21 days inclusive of, and from, the date upon which it is made, by which the Eligible Person must accept the offer or be deemed to have declined it, provided that such date shall not be more than ten years after the date of adoption of the Share Option Scheme or after the termination of the Share Option Scheme, and no such offer may be accepted by a person who ceases to be an Eligible Person after the offer has been made.

An offer shall be deemed to have been accepted on the date when the duly signed duplicate comprising acceptance of the offer by the Eligible Person, together with a payment in favour of our Company of HK\$1.00 per option by way of consideration for the grant thereof is delivered to our Company. Such consideration shall in no circumstances be refundable. Subject to the rules of the Share Option Scheme, option may be exercised in whole or in part by the grantee at any time before the expiry of the period to be determined and notified by our Board to the grantee which in any event shall not be longer than ten years commencing on the date of the offer letter and expiring on the last day of such ten-year period.

(g) Performance targets

There is no performance target that has to be achieved or minimum period in which an option must be held before the exercise of any option save as otherwise imposed by our Board in the relevant offer of options.

(h) Subscription price for Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by our Board, and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date (the "**Offer Date**"), which must be a trading day, on which our Board passes a resolution approving the making of an offer of grant of an option to an Eligible Person; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of a Share on the Offer Date.

Where an option is to be granted, the date of our Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option. For the purpose of calculating the subscription price, where an option is to be granted less than five trading days after the listing of the Shares on the Stock Exchange, the new issue price shall be taken to be the closing price for any Business Day within the period before listing.

(i) *Ranking of Shares*

The Shares to be allotted and issued upon the exercise of an option shall be subject to our Company's constitutional documents for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of our Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions declared or recommended or resolved to be paid or made in respect of a record date falling on or after the date of allotment.

(j) *Restrictions on the time of grant of option*

No offer of an option shall be made and option shall be granted after a price sensitive event 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 requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of our Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's result for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option shall be granted.

(k) *Period of the Share Option Scheme*

Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme, after which period no further option shall be granted. All options granted and accepted and remaining unexercised immediately prior to expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

(l) *Rights on cessation of employment*

Where the grantee of an outstanding option ceases to be an Eligible Person for any reason other than his/her serious illness, death, retirement in accordance with his/her contract of employment or service or the termination of his/her contract of employment or service on one or more of the grounds specified in paragraph (m) below, the grantee may exercise his/her outstanding options within three months following the date of such cessation, and any such options not exercised shall lapse and determine at the end of the said period of three months.

(m) Rights on dismissal

If the grantee of an option is an Eligible Person and ceases to be an Eligible Person by reason of a termination of his contract of employment or service on any one or more grounds that he/she has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty, his/her option (to the extent not already exercised) will lapse automatically on the date of cessation of being an Eligible Person.

(n) Rights on death

Where the grantee of an outstanding option dies before exercising the option in full or at all, the option may be exercised in full or in part (to the extent not already exercised) by his/her personal representative(s) within 12 months from the date of death or such period extended by the Board.

(o) Rights on a general offer

If a general or partial offer is made to all our Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), our Directors shall as soon as practicable notify the option holder accordingly. An option holder shall be entitled to exercise his/her outstanding options in whole or in part within fourteen (14) days of receipt of such notice. To the extent that any option has not been so exercised, it shall upon the expiry of such period lapse and determine.

(p) Rights on winding-up

If notice is given of a general meeting of our Company at which a resolution will be proposed for the voluntary winding-up of our Company, our Company shall forthwith give notice thereof to all option holders and each option holder shall be entitled, at any time not later than two Business Days prior to the proposed general meeting of our Company to exercise his outstanding options in whole or in part. Our Company shall as soon as possible and in any event no later than one Business Day prior to the date of such general meeting, allot and issue such number of Shares to the option holders which fall to be issued on such exercise. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up.

(q) Rights on compromise or arrangement between our Company and its creditor

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all option holders on the same date as it gives notice of the meeting to our Shareholders and our Company's creditors, and thereupon each option holder shall be entitled, at any time not later than two Business Days prior to the proposed meeting of our Company, to exercise his outstanding options in whole or in part. Our Company shall as soon as possible and in any event no later than one Business Day prior to the date of such general meeting, allot and issue such number of Shares to the option holders which fall to be issued on such exercise. Subject thereto, all Options then outstanding shall lapse and determine upon such compromise or arrangement becoming effective.

(r) Reorganisation of capital structure

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation issue, rights issue, subdivision or consolidation of shares or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction), our Company shall (if applicable) make corresponding alterations (if any), in accordance with Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplemental guidance issued by the Stock Exchange on 5 September 2005) to:

- (i) the number or nominal amount of Shares comprised in each Option for the time being outstanding; and/or
- (ii) the subscription price; and/or
- (iii) the Scheme Limit; and/or
- (iv) the Participant Limit;

as the auditors or the independent financial adviser to our Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that:

- (a) the aggregate Subscription Price payable by an option holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such adjustment;
- (b) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (c) no adjustment will be required in circumstances when there is an issue of Shares as consideration in a transaction; and
- (d) any adjustment shall be made in accordance with the provisions of Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes).

In addition, in respect of any such adjustments, other than any made on a capitalisation issue, the auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

(s) *Cancellation of options*

Our Board may cancel an option granted but not exercised with the approval of the option holder. Any such options cancelled by our Company cannot be re-granted to the same Eligible Person; the issue of new options must be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the Scheme Limit.

(t) *Termination of the Share Option Scheme*

Our Company, 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 option will be offered but in all other respects the provision of the Share Option Scheme shall remain in full force and effect. All options granted and accepted and remaining unexercised immediately prior to such termination shall continue to be valid and exercisable in accordance with their terms and the terms of the Share Option Scheme.

(u) *Rights are personal to grantee*

An option shall be personal to the grantee and shall not be assignable or transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such grantee.

(v) *Lapse of option*

The right to exercise an option (to the extent not already exercised) shall lapse immediately upon the earliest of:

- (i) the expiry of the option period to be determined and notified by our Board to the grantee;
- (ii) the expiry of the periods as referred to in sub-paragraphs (l), (n), (o), (p) and (q), respectively;
- (iii) subject to sub-paragraph (p), the date of the commencement of the winding-up of our Company;
- (iv) the date on which the grantee ceases to be an Eligible Person by reason of the termination of his contract of employment or service on any one or more grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally or has been convicted of any criminal offence involving his integrity or honesty; and
- (v) the date on which our Directors cancel any outstanding option or part thereof on the ground the grantee commits a breach of sub-paragraph (u) breach of the Share Option Scheme.

(w) *Alterations to the Share Option Scheme*

- (i) The Share Option Scheme may be amended or altered in any respect to the extent allowed by the Listing Rules by resolution of our Board except that the following alterations must first be approved by a resolution of our Shareholders in general meeting:
 - (a) the purpose of the Share Option Scheme;
 - (b) the definitions of “Eligible Person”, “Option Period” and “Scheme Period”;
 - (c) the Scheme Limit;
 - (d) the Participant Limit;
 - (e) the minimum period for which an option must be held before it can be exercised;
 - (f) the statement as to performance targets that must be achieved before an option may be exercised;
 - (g) the amount payable on acceptance of an option and the period within which it must be paid for such purpose;
 - (h) the basis of determination of the subscription price;
 - (i) the rights to be attached to the Shares to be issued upon the exercise of options;
 - (j) the circumstances under which options will automatically lapse;
 - (k) the adjustment made in the event of any alterations of the capital structure of our Company;
 - (l) the cancellation of options granted but not exercised;
 - (m) the effect on existing options of an early termination of the Share Option Scheme;
 - (n) the transferability of options;
 - (o) this paragraph (w);
 - (p) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted to the advantage of such option holders; and
 - (q) any change to the authority of our Directors in relation to any alterations to the terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the options shall comply with Chapter 17 of the Listing Rules.

- (ii) Notwithstanding the other provisions of the Share Option Scheme, the Share Option Scheme may be altered in any respect by resolution of our Board without the approval of our Shareholders or the grantee(s) to the extent such amendment or alteration is required by the Listing Rules or any guideline issued by the Stock Exchange from time to time.
- (iii) Our Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

(x) *Conditions*

The Share Option Scheme is conditional upon:

- (i) the passing of the necessary resolutions by our Shareholders to approve and adopt the Share Option Scheme;
- (ii) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and the Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions referred to above are not satisfied on or before the date falling thirty days after the date of this prospectus, the Share Option Scheme shall forthwith terminate and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

(y) *Present status of the Share Option Scheme*

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Scheme and any other share option scheme(s) of our Company shall not exceed 80,000,000 Shares, being 10% of the total number of Shares in issue as at the date of listing of the Shares unless our Company obtains the approval of our Shareholders in general meeting for refreshing the said 10% limit under the Share Option Scheme, provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the 10% limit above mentioned.

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

OTHER INFORMATION

14. Tax and other indemnities

Each of Brilliant Stride, Mr. Tay and Mr. Wong (the “**Indemnifiers**”) has, pursuant to the Deed of Indemnity referred to in the paragraph headed “Further information about the business of our Group — 7. Summary of material contracts” in this appendix, given indemnity on a joint and several basis in favour of each member of our Group (“**Group Member(s)**”) from and against, among other things, any tax liabilities which might be paid or payable by any Group Member in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received before the Listing Date, save:

- (a) to the extent that full provision or allowance has been made for such taxation in the audited combined accounts of our Group as set out in Appendix I to this prospectus;
- (b) to the extent that such taxation claim arises or is incurred as a result of any retrospective change in law or regulations or practice by the Hong Kong Inland Revenue Department or the tax authorities of Singapore or any other tax or government authorities in any part of the world coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect;
- (c) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any Group Member which is carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the date on which the conditions stated in the section headed “Structure and conditions of the Share Offer — Conditions of the Share Offer” of this prospectus being fulfilled on or before the date as stated therein (the “**Effective Date**”);
- (d) to the extent that such taxation or liability is/are discharged by another person who is not a Group Member and that none of our Company and Group Members is required to reimburse such person in respect of the discharge of such taxation or liability;
- (e) to the extent that such taxation or liability would not have arisen but for any act or omission by any Group Member (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the date hereof or carried out, made or entered into pursuant to a legally binding commitment created before the Effective Date; and
- (f) to the extent of any provisions or reserve made for taxation in the audited accounts of our Group up to 31 March 2019 which is finally established to be an over-provision or an excessive reserve as set out in Appendix I to this prospectus.

Further, pursuant to the Deed of Indemnity, the Indemnifiers have given an indemnity in respect of, among other matters, any liability for Hong Kong estate duty, if any, which might be incurred by any of Group Member by reason of any transfer of property to any of the members of our Group on or before the Listing Date. Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, Singapore, the BVI, being jurisdictions in which the companies comprising our Group are incorporated.

In addition, pursuant to the Deed of Indemnity, the Indemnifiers have agreed and undertaken to jointly and severally indemnify the members of our Group and each of them and at all times keep the same indemnified on demand from and against all claims, damages, losses, costs, expenses, fines, actions and proceedings whatsoever and howsoever arising at any time whether present or in the future as a result of or in connection with:

- (a) any alleged or actual violation or non-compliance by any of our Group Members with any laws, regulations or administrative orders or measures in any relevant jurisdictions which our Group members are subject to on or before the Effective Date;
- (b) any and all expenses, payments, sums, outgoing, fees, demands, claims, actions, proceedings, judgments, damages, losses, costs (including but not limited to, legal and other professional costs), charges, contributions, liabilities, fines, penalties which any Group Members may incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with any failure, delay or defects of corporate or regulatory compliance under, or any breach of any provision of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) or any other applicable laws, rules and regulations by any Group Members on or before the Effective Date (in the case of our Group Members);
- (c) any irregularities in relation to any corporate documents of any of our Group Members; and
- (d) all direct losses and damages that we may suffer as a result of the breach of non-compliance incidents as disclosed in this prospectus.

15. Litigation

Save as disclosed herein, during the Track Record Period and up to the Latest Practicable Date, neither our Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

16. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fee in relation to the Listing is HK\$6.2 million.

The Sole Sponsor has made an application on our Company's behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made for the Shares to be admitted into CCASS.

17. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Lego Corporate Finance Limited as its compliance adviser to provide consultancy services to our Company to ensure compliance with Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.

18. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$44,000 and are payable by our Company.

19. Promoters

Our Company does not have any promoter (as defined in the Listing Rules). Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

20. Qualifications and consents of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

<u>Name</u>	<u>Qualification</u>
Lego Corporate Finance Limited	Licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Bird & Bird ATMD LLP	Legal advisers to our Company as to Singapore law
David Lai & Tan	Legal advisers to our Company as to Malaysia law
Tuah & Suparto	Legal advisers to our Company as to Indonesia law
Nixon Peabody LLP	Legal advisers to our Company as to U.S. law
Conyers Dill & Pearman	Legal advisers to our Company as to Cayman Islands law
WSC Partnership	Singapore Accounting Firm of Chartered Accountants
OKL & Partners PLT	Chartered accountants and tax advisory firm
Baker Tilly TFW LLP	Independent accounting and business advisory firm
Frost & Sullivan Limited	Independent industry consultant
Jones Lang LaSalle Property Consultants Pte Ltd	Independent property valuer

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

21. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

22. Taxation of holders of Shares**(a) Hong Kong****(i) Profits**

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iii) Estate duty

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006.

(b) The Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

23. Miscellaneous

- (a) Save as disclosed in this prospectus, within two years preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages (other than under the Underwriting Agreements) 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 its subsidiaries;
 - (iii) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of its subsidiaries; and
 - (iv) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (b) Saved as disclosed in this prospectus, no founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (c) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2019 (being the date to which the latest audited combined financial statements of our Group were made up);
- (d) There has not been any interruption in the business of our Group which may have or has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus;
- (e) None of the equity and debt securities of our Company is listed or dealt with on any other stock exchange nor is any listing or submission to deal being or proposed to be sought;
- (f) None of our Directors nor any of the persons whose names are listed in paragraph headed “20. Qualifications and consents of experts” in this section has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group;
- (g) Subject to the provisions of the Companies Law, the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by, our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands;

- (h) All necessary arrangements have been made to enable the Shares to be admitted into CCASS;
- (i) There is no arrangement under which future dividends have been waived;
- (j) No company within our Group is presently listed on any stock exchange or traded on any trading system; and
- (k) In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

24. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this prospectus, the English language version shall prevail.

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (1) a copy of each of the **WHITE** and **YELLOW** Application Forms;
- (2) the written consents referred to in the section headed “Statutory and General Information — Other information — 20. Qualifications and consents of experts” in Appendix V to this prospectus; and
- (3) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — Further information about the business of our Group — 7. Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Robertsons, at 57th Floor, The Center, 99 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the Accountant’s Report issued by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the report issued by PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited combined financial statements of our Group for the three financial years ended 31 March 2019;
- (e) the Singapore legal opinion issued by Bird & Bird ATMD LLP, our legal advisers as to Singapore law;
- (f) the Malaysia legal opinion issued by David Lai & Tan, our legal advisers as to Malaysia law;
- (g) the Indonesia legal opinion issued by Tuah & Suparto, our legal advisers as to Indonesia law;
- (h) the United States legal opinion issued by Nixon Peabody LLP, our legal advisers as to United States law;
- (i) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix IV to this prospectus;
- (j) the Cayman Companies Law;

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

- (k) the opinion on certain tax matters in respect of our Group's Singapore subsidiaries issued by WSC Partnership;
- (l) the opinion on certain tax return matters in respect of our Group's Malaysia subsidiaries for FY2017 and FY2018 issued by OKL & Partners PLT;
- (m) the opinion on our Group's tax exposure in Indonesia which may arise from the Indonesia Master Licence Agreement issued by Baker Tilly TFW LLP;
- (n) the industry report prepared by Frost & Sullivan referred to in the section headed "Industry Overview" of this prospectus;
- (o) the property valuation report issued by Jones Lang LaSalle Property Consultants Pte Ltd, the text of which is set out in Appendix III to this prospectus;
- (p) the rules of our Share Option Scheme;
- (q) the material contracts referred to in the section headed "Statutory and General Information — Further information about the business of our Group — 7. Summary of material contracts" in Appendix V to this prospectus;
- (r) the written consents referred to in the section headed "Statutory and General Information — Other information — 20. Qualifications and consents of experts" in Appendix V to this prospectus; and
- (s) the service contracts referred to in the section headed "Statutory and General Information — Further information about our Directors and substantial Shareholders — 9. Directors — (a) Particulars of Directors' service contracts and letters of appointment" in Appendix V to this prospectus.

**Snack Empire
Holdings Limited**
快餐帝國控股有限公司